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SUNLITE OIL COMPANY LIMITED

ANNUAL REPORT

AND

1969 FINANCIAL STATEMENTS

FOR THE YEAR

ENDED SEPTEMBER 30, 1969

SUNLITE OIL COMPANY LIMITED

This report of Sunlite Oil Company Limited for the twelve months ended September 30, 1969, represents the third annual report since the initial public offering of the Company's shares made in Canada in January, 1967.

The financial statements do not include those of Del Norte Oil Ltd., which was amalgamated with Sunlite as of October 1, 1969. Following the approval of the amalgamation by Sunlite's shareholders on September 16, a registration statement with respect to the amalgamation was filed with the Securities and Exchange Commission in Washington, D.C. and became effective October 7, 1969.

The immediate effect of the amalgamation with Del Norte was to increase the Company's reserves by approximately 792,000 proven barrels of crude and liquids and a minor quantity of gas and to give the Company a rounded and experienced technical staff with a team record of exploratory success. We hope this exploratory success will be extended into the future, aided by Sunlite's financial backing.

The agreement which Del Norte had with Canex Aerial Exploration, Ltd., a subsidiary of Placer Development Ltd. remains in force under a contract expiring June 30, 1971. Canex and Sunlite are conducting joint land acquisition and exploration in Western Canada and Canex is paying a substantial share of your Company's overhead expense.

Interest income rose considerably in fiscal 1969 while extraordinary profits were somewhat smaller. Expenses were higher and write-offs rose sharply, reflecting chiefly the active oil and mineral exploration in Canada, continued investigation of the old Pioche silver property in Nevada and closing down of the Boise, Idaho mineral investigation. Net earnings amounted to \$271,316 after an anticipated recovery of part of the income tax liability set up in fiscal 1968. In that year net earnings were \$809,083, derived from extraordinary profit. Shares outstanding on September 30, 1969, numbered 2,119,600. Del Norte Oil, Ltd. was subsequently amalgamated and 130,000 additional Sunlite shares were issued in that connection.

On September 30, 1969, working capital was \$4,919,823, represented by current assets of \$5,653,991, including cash of \$5,317,554, less current liabilities of \$734,168. As shown by note 6 to the balance sheet, there was contingent liability under exploration commitments of \$862,000. This liability can be discharged in various ways, including performance of exploratory work, dropping of permits or claims, sale of interest or farmout deals whereby others assume the work obligations. A substantial part of the contingent liability has already been discharged through mineral exploration conducted during 1969 in Manitoba and Saskatchewan, and letters of credit posted to guarantee this exploration will be released by the Provincial authorities.

Oil and Gas Activities

The report for the six months ended March 31, 1969 noted six wildcats in that period, four in Alberta and two in Saskatchewan, plus a well re-entry project in Louisiana, all of which were unsuccessful.

Between March 31 and the end of November, partly under an interim arrangement with the Del Norte staff, your Company participated in twelve test wells, all of which were abandoned. These included seven in Canada (five in Alberta and two in Saskatchewan) and five elsewhere, including one in Nicaragua, two in New Zealand and two in Wyoming. Company interest in the seven Canadian wildcats amounted to 1.58 net wells, while that in the five non-Canadian tests totalled .85 net wells. Your management plans to follow up a number of these tests with further exploration. Some properties will be farmed out to other operators for additional drilling.

The two tests in New Zealand have earned a 15% interest in some 1.82 million acres of prospecting licenses. Involved in this transaction is an option to earn a 25% interest in another tract comprising some 1.4 million acres.

In Western Nicaragua an interest of 5% was earned in approximately 2 million acres and the Company has an option to participate similarly in a tract in Eastern Nicaragua of some 250,000 acres, in which reconnaissance seismic work appears to justify an offshore test well, expected to be drilled in coming months.

Our major efforts this winter will be concentrated in Western Canada. Drilling of two development wells is planned near the south end of the Mitsue trend, in Alberta, Sunlite interest 7.5%. The major part of the winter program will be represented by the drilling of eight wildcat tests, seven in Alberta and one in British Columbia, this last an offset to a well capable of gas production from Middle Devonian. The drilling program contemplates expenditures of approximately \$1.1 million, with Sunlite's share totalling about \$190,000. Depending on the results of this drilling, there could be as many as five additional wildcat tests. Seismic work costing about \$580,000, mainly in northwestern Alberta with a minor portion in northeastern British Columbia, has been planned for the 1969-70 winter season. Your Company's share for this program will approximate \$100,000.

The current program for Alberta is primarily a follow-up of last winter's discoveries by Del Norte of two Keg River oil wells and one Middle Devonian gas well, in which Del Norte had small percentage interests; the great bulk of the working interest was held by the various partners for which Del Norte was the operator. The follow-up of the earlier discoveries involves a trend towards larger owner-

ship interests as opportunity permits the working out of plays in which your Company's share will be more nearly 50% or in the case of farms-in 25%. Time will be required to complete the investigation and development of the older plays and to establish fully the new basis of greater Company participation.

Sunlite's acreage interest in the Amber area of northwestern Alberta, in the immediate area of these discoveries, amounts to 38,880 gross and 1,587 net acres. This acreage relates to the areas of interest where the Company's share of the working interest is small. In the adjacent Bistcho Lake area to the north, Sunlite has under seismic option 78,240 gross and 20,789 net lease acres, relating more to newer areas where the Company's share is larger.

Land acquisition has been active since April 1, with Alberta acquisitions amounting to 190,680 gross and 67,538 net acres of leases, reservations and drilling reservations. In Saskatchewan, the Company acquired 156,001 gross and 40,407 net acres of leases, permits and drilling reservations. In British Columbia, Sunlite acquired 10,415 gross and 1,874 net acres of drilling reservations and leases. Currently Sunlite has 640,541 gross acres and 159,844 net acres of reservations and leases in the Provinces of Alberta, Saskatchewan and British Columbia.

Current drilling includes a development well at Bruce Lake in the Mitsue area of Alberta, Sunlite interest 7.5%, also the gas offset location in British Columbia, Sunlite working interest 18.0%. A recent wildcat test (one of the eight scheduled for this winter) in the Salt Creek area of Alberta, north of Lesser Slave Lake, was abandoned but appeared encouraging for further drilling up-dip on Sunlite's reservation. A recently completed seismic program indicates additional drilling prospects on Sunlite's land.

Sunlite through Sunlite Nevada, Inc. has purchased for \$500,000 an average interest of approximately 1.1% in eight Alaskan State lease tracts, some 20,453 acres in total, on the North Slope in the Prudhoe Bay Area. The prospective Prudhoe field operators have suggested to State authorities that three of these tracts, or 7,680 acres, be included in the proposed unit for the Lisburne (Mississippian) oil pool at Prudhoe. The State has not yet ruled on this suggestion. The actual value of the tracts in any case will depend on drilling results. Of the remaining five tracts, the two furthest east, in Range 23E, appear the more interesting, since another company has made a wildcat location some 2½ miles away at the nearest point. Sunlite has a 25% interest in 78,000 acres of North Slope priority filings and retains its 100% interest in 293,000 acres of lease applications in the Bethel Basin of southwestern Alaska.

As to your Company's 9.436 million net acres of permits in the Arctic Islands, Hudson Bay and East Coast waters, current and prospective exploratory activity by others is of considerable interest. Three rigs will shortly be drilling in the Arctic Islands for other operators and more are expected during 1970. Sunlite has 1.99 million net acres of permits in these areas, including 712,000 offshore in the southwestern area, north of Banks Island and south and east of Melville Island. A present drilling location for another operator at Towson Point is about 20 miles from the Company's eastern block of 122,000 acres. We cannot say whether this test may have any significance for Sunlite. The balance of the Arctic permits, 1.278 million acres, is in the northeastern part of the Arctic Islands, mostly on land, in the northwestern and southeastern parts of Axel Heiberg Island and the northwestern part of Ellesmere Island. A drilling location has been made on Ellef Rignes Island to the west by another operator and supplies have been landed for an Ellesmere wildcat to be drilled in 1970. Any discovery tending to validate the enormous theoretical promise of the Arctic Islands would be of benefit to Sunlite. Your Company expects to participate in some 1970 geophysical programs in the area.

In the Hudson Bay, Sunlite holds 4.105 million net permit acres near the north end. A wildcat drilled by another operator in the south central part of the Bay was not finished due to the approach of winter but is expected to be continued in the summer of 1970. There has been an unconfirmed industry report that in the northern part of the Hudson Bay, in the general vicinity of Company holdings, thickness of sediments is much greater than was previously supposed.

Sunlite has 1.06 million net acres in the waters of Ungava Bay, where others have drilled a dry hole on Akpatok Island, covering certain of the Company's work obligations. The Company also holds 2.29 million net acres in Cumberland Sound and Davis Strait, off southeastern parts of Baffin Island. This latter area is thought prospective but no early drilling is expected. Other interests have embarked on an extensive drilling program off Nova Scotia, well to the south of our holdings. Considerable activity is expected off Newfoundland and Prince Edward Island in 1970 and drilling off the Labrador coast is expected in 1971. Any east coast discovery of size could be of significance to your Company.

Royalty interests include a 1% overriding royalty on 2.86 million acres of permits in the Beaufort Sea, off the Mackenzie River delta of the Northwest Territories. It is reported that geophysical work done by others in this area has revealed extensive salt dome formations and a substantial thickness of prospective sediments but there has been no offshore drilling as yet. In the Fort Simpson area of the North-

west Territories Sunlite has 1% overrides on some 244,000 acres of permits. In their vicinity some 20-30 wildcats are expected to be drilled this winter looking for reef targets, according to a trade publication. Total overriding royalty lands in the Northwest Territories, including the Beaufort Sea, amount to 4.693 million acres. Alberta holdings amount to 678,000 acres. To a large extent these are now lease acres rather than reservation acres. In Saskatchewan overrides on 617,000 acres are held. Total overriding royalty interests cover approximately 5.99 million acres.

Mineral Activities

On the two wholly-owned Saskatchewan permits of some 384,000 acres, near the southwestern end of the Wollaston-Sandfly trend, shows of both uranium and base metals have been found, primarily on one permit. While the shows appear to justify follow-up efforts, work obligations on these permits have been completed for some time ahead and we are considering a policy of limited further exploration. A 25% interest is held in some 8,000 acres of mining claims at Kisiwak Lake in northern Saskatchewan and your management plans to continue this holding, on which 1969 exploratory expenditures were moderate and 1970 outlay is expected to be of similar magnitude. Investigation of mining properties in northwestern Manitoba did not in your management's opinion warrant the expenditure of the larger sums which would be necessary to maintain the Company's position in 1970 and this activity is to be dropped.

At the old silver-lead-gold property at Pioche, Nevada, the investigation to date indicates the possibility of a commercial ore deposit. Limited mining operations are planned to determine how much ore can be termed proven, in order to justify more extensive mining. Use is being made of an existing

deep shaft which is in good repair. This will permit drifting over to the workings, which otherwise are reachable only by an uneconomic approach. The next several months should enable us to analyze the situation more fully. The old silver-gold property near Boise, Idaho, appeared on investigation to warrant no further expenditure and was dropped.

Recent Developments

Sunlite and other companies have been awarded by the Italian Government two exploratory permits in the Adriatic Sea off the east coast of Italy, Zone B numbers 29 and 160, totalling 41,823 hectares or approximately 103,344 acres. The Company's interest is 30%. Sunlite already held a 20% interest in an Adriatic permit of 42,285 acres, also thought prospective for gas. Reconnaissance seismic operations will be conducted in 1970.

Your management has been discussing certain possible acquisitions of producing properties through exchange of stock and is also investigating possibilities of farming out for work by others certain of the permits held, involving both oil and mineral exploration. The annual report has been somewhat delayed in this connection. We can announce at this time Sunlite's intention to ask the shareholders of Giant Reef Petroleum Ltd. to exchange their shares for Sunlite shares in the ratio of one share of Sunlite for each 6.6 shares of Giant Reef. The formal tender solicitation will be made as soon as practical by a prospectus, after clearance with the appropriate regulatory authorities in Canada and the United States. A principal asset of Giant Reef is its working interest of approximately 5% in the Quirk Creek gas field of Alberta.

The Annual General Meeting will be held at 940 Aquitaine Tower, 540 Fifth Avenue S.W., Calgary 1, Alberta on Thursday, February 12, 1970 at 10 a.m.

D. K. Russell,
President

January 12, 1970.

**SUNLITE OIL COMPANY
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	\$5,317,554	\$ 819,199
Accounts receivable	336,437	811,666
	<u>5,653,991</u>	<u>1,630,865</u>
FIXED ASSETS, at cost		
Petroleum and natural gas leases and rights together with development thereon		
Producing	270,884	270,541
Accumulated depreciation, depletion and amortization	<u>127,131</u>	<u>109,765</u>
	143,753	160,776
Non-producing		
Royalty rights	448,970	468,550
Leases	1,429,023	47,459
Work in progress	<u>192,415</u>	<u>-</u>
	2,214,161	676,785
Other mineral rights, together with development thereon	<u>492,582</u>	<u>129,476</u>
	<u>2,706,743</u>	<u>806,261</u>
OTHER ASSETS		
Deposits refundable on fulfillment of exploration commitments (Note 6)	67,002	205,258
Miscellaneous	<u>6,221</u>	<u>-</u>
	73,223	205,258
	<u>\$8,433,957</u>	<u>\$2,642,384</u>

The accompanying notes are an integral part of these financial statements.

AUDITOR'S REPORT

To the Shareholders
Sunlite Oil Company Limited

We have examined the consolidated balance sheet of Sunlite Oil Company Limited as at September 30, 1969 and the consolidated statements of earnings and cash flows for the year then ended. Our examination included a general review of the records and other supporting evidence as we considered necessary.

In our opinion these consolidated financial statements present fairly the financial position of Sunlite Oil Company Limited as at September 30, 1969 and the results of their operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.

Calgary, Alberta
November 21, 1969.

**ANY LIMITED
COMPANIES**

AS AT SEPTEMBER 30, 1969

LIABILITIES

CURRENT LIABILITIES

	1969	1968
Bank indebtedness, secured	\$ 231,651	\$ 245,176
Accounts payable	395,764	52,406
Income taxes (Note 4)	106,753	148,006
	<u>734,168</u>	<u>445,588</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 2 and 3)

Authorized
3,000,000 shares without nominal or par value

Issued 2,119,600 shares (1968—1,454,600 shares)	6,623,055	1,391,378
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RETAINED EARNINGS	1,076,734	805,418
	<u>7,699,789</u>	<u>2,196,796</u>

CONTINGENT LIABILITY (Note 6)

Signed on behalf of the Board:

"D. K. RUSSELL", Director

"J. H. VAN DE VENTER", Director

<u>\$8,433,957</u>	<u>\$2,642,384</u>
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part of the financial statements.

REPORT

Oil Company Limited and its subsidiaries as at September
d earnings and source and application of funds for the
the accounting procedures and such tests of accounting
in the circumstances.

sent fairly the financial position of the companies as at
source and application of their funds for the year then
s applied on a basis consistent with that of the preceding

RIDDELL, STEAD & CO.
Chartered Accountants

SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED SEPTEMBER 30, 1969

	1969	1968
REVENUE		
Oil and gas sales	\$ 22,542	\$ 30,223
Interest	372,323	42,115
	<u>394,865</u>	<u>72,338</u>
EXPENSE		
Operating	10,716	10,927
General and administrative	182,916	48,525
Carrying charges on non-producing properties	4,693	144
Dry hole costs	508,989	—
Depreciation	2,826	2,239
Depletion and amortization	14,540	8,044
Interest expense	10,687	881
Property surrenders and write-offs	292,416	83,510
	<u>1,027,783</u>	<u>154,270</u>
Earnings (loss) before undernoted items	<u>(632,918)</u>	<u>(81,932)</u>
EXTRAORDINARY ITEMS		
Gain on sale of non-producing property	981,274	1,116,680
Share issue expense	(68,551)	(77,659)
Payment under guarantee agreement	(49,742)	—
	<u>862,981</u>	<u>1,039,021</u>
	230,063	957,089
Provision for (recovery of) income taxes (Note 4)	<u>(41,253)</u>	<u>148,006</u>
NET EARNINGS	<u>271,316</u>	<u>809,083</u>
Retained earnings (deficit) at beginning of year	805,418	(3,665)
RETAINED EARNINGS AT END OF YEAR	<u>\$1,076,734</u>	<u>\$ 805,418</u>

The accompanying notes are an integral part of the financial statements.

SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 1969

	1969	1968
FUNDS DERIVED FROM		
Operations		
Net earnings for the period	\$ 271,316	\$ 809,083
Add non-cash items		
Depreciation, depletion and amortization	17,366	10,283
Dry hole costs	508,989	—
Property surrenders and write-offs	292,416	83,510
	<u>1,090,087</u>	<u>902,876</u>
Deposits refunded	205,258	—
Issuance of capital stock (Note 2)	5,231,677	2,500
	<u>6,527,022</u>	<u>905,376</u>
 FUNDS APPLIED TO		
Fixed assets (net)		
Producing leases and rights, together with development thereon	31,465	48,036
Non-producing leases and royalty rights	2,108,206	82,157
Mineral rights together with development thereon	579,582	91,976
Deposits	67,002	205,258
Other	6,221	—
	<u>2,792,476</u>	<u>427,427</u>
 INCREASE IN WORKING CAPITAL DURING THE YEAR	3,734,546	477,949
Working capital at beginning of year	1,185,277	707,328
WORKING CAPITAL AT END OF YEAR	<u>\$4,919,823</u>	<u>\$1,185,277</u>

The accompanying notes are an integral part of the financial statements.

**SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1969

NOTE 1 ACCOUNTING POLICIES

Petroleum and Natural Gas Properties

Exploration expenses and carrying charges of both producing and non-producing properties are charged to income as incurred. The costs of drilling a productive well, including the costs of production equipment, are capitalized and amortized using the unit of production method. The cost of an unproductive well is charged to income when determined to be dry.

The acquisition costs of gross overriding royalty and other interests are capitalized and charged to income if and when subsequently surrendered or abandoned. The costs of producing gross overriding royalty and other producing interests are likewise amortized using the unit of production method based upon estimated recoverable quantities of oil and gas.

Other Mineral Rights

The costs of acquisition, evaluation and development of mineral properties are capitalized. Such costs will be amortized using the unit of production method or, when properties prove to be uneconomical they are charged to income.

General

The consolidated financial statements include the accounts of the company's wholly-owned subsidiaries, Sunlite Nevada, Inc., Sunlite Land Ltd. (both from the date of commencement of their operations in 1968) and Sunlite-Honduras, Inc. (inactive since incorporation in 1969).

Amounts in foreign currency are converted to Canadian dollars on the following basis:

- (i) Current assets and current liabilities, at the rate of exchange as at the balance sheet date.
- (ii) Fixed assets, at the rate of exchange at the date of acquisition.
- (iii) Revenue and expenses, at the average rate of exchange for the year.

NOTE 2 CAPITAL STOCK

(a) Changes in capital stock during the year ended September 30, 1969 were as follows:

	<u>Number of Shares</u>	<u>Consideration</u>
Balance, September 30, 1968	1,454,600	\$1,391,378
Shares issued for cash under the terms of an underwriting agreement dated December 5, 1968	660,000	5,226,677
Shares issued for cash on exercise of option	5,000	5,000
Balance, September 30, 1969	<u>2,119,600</u>	<u>\$6,623,055</u>

(b) At September 30, 1969, there was outstanding under an option agreement dated September 30, 1967 the right to purchase 2,500 shares of the company's capital stock at \$1 per share. This option was exercised on October 1, 1969.

(c) Reference is made to Note 3.

NOTE 3 AMALGAMATION

On May 16, 1969, the company entered into an agreement with Del Norte Oil Ltd. (Del Norte) under the terms of which the company and Del Norte have agreed to amalgamate and to continue operations under the name of Sunlite Oil Company Limited (the amalgamated company). The agreement, which became effective October 1, 1969, provides that the shareholders of Sunlite will be deemed to have received one share in the capital stock of the amalgamated company for each share in Sunlite held by them, and that the shareholders of Del Norte will receive a total of 130,000 shares in the capital stock of the amalgamated company for their shares in Del Norte. Certain of Del Norte's shareholders entered into employment agreements with the amalgamated company and under these agreements will receive options to purchase an aggregate of 40,000 shares of the common stock of the amalgamated company.

NOTE 4 INCOME TAXES

For income tax purposes, the companies have claimed drilling, exploration and property acquisition costs in excess of related depletion and amortization provisions and property surrenders and write-offs reflected in the accounts. As a result no income tax has been payable prior to 1968.

If the tax allocation basis had been followed for all timing differences between taxable income and reported earnings, income tax provisions (credits) and earnings would have been as follows:

	<u>1969</u>	<u>1968</u>
Earnings before income taxes	\$230,063	\$957,089
Income taxes (credit)		
Current	(41,253)	148,006
Deferred	278,000	320,000
	<u>236,747</u>	<u>468,006</u>
Earnings (loss) after current and deferred income taxes	<u>\$ (6,684)</u>	<u>\$489,083</u>

The accumulated income tax reductions relating to all timing differences prior to September 30, 1969 amount to approximately \$600,000 at that date.

NOTE 5 REMUNERATION OF DIRECTORS AND OFFICERS

Included in general and administrative expenses in the 1969 consolidated statement of earnings is \$23,600 remuneration to directors and officers.

NOTE 6 CONTINGENT LIABILITY

As at September 30, 1969 the company was contingently liable for exploration commitments under permits, reservations and similar rights to the extent of \$862,029. Such exploration commitments are evidenced by reservation deposits comprising cash and bonds of \$62,029 lodged with governmental agencies, and permit deposits comprising promissory notes and irrevocable letters of credit of \$800,000 issued by the company, guaranteed by the company's bankers and lodged with governmental agencies.

AR26

File

SUNLITE OIL COMPANY LIMITED

Calgary, Alberta

Canada

NOTICE OF EXTRAORDINARY GENERAL MEETING
OF STOCKHOLDERS
September 16, 1969

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of stockholders of Sunlite Oil Company Limited will be held at 505—2nd Street S.W., 4th Floor, Calgary, Alberta, on September 16, 1969, at two o'clock P.M. (local time), for the purposes of (i) considering and voting upon the adoption of a Memorandum of Agreement dated as of May 16, 1969, providing for the amalgamation of Sunlite Oil Company Limited with Del Norte Oil Ltd. into an amalgamated corporation, "Sunlite Oil Company Limited", a copy of which Memorandum of Agreement is annexed as Exhibit I to the attached Proxy Statement; and (ii) transacting such other business as may properly come before the meeting.

The close of business on August 28, 1969, has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at said meeting.

You are cordially invited to attend the meeting. If you are unable to do so, please sign, date and return the enclosed proxy.

By order of the Board of Directors,

J. STEWART FISHER
Secretary

Dated: September 2, 1969.

standing. Based on such numbers, when the amalgamation becomes effective, the Amalgamated Company will have 2,249,600 shares of Common Stock outstanding. The authorized capital stock of the Amalgamated Company will be 3,000,000 shares of Common Stock without nominal or par value.

The Boards of Directors of Sunlite and Del Norte are convinced that the proposed amalgamation is in the best interests of the stockholders of both corporations and when effected should afford to each a stronger financial and operational base than they enjoyed as separate corporations. Specifically the major advantages of the amalgamation are :

1. Through the combination of the managerial and technical experience of Del Norte with the financial resources of Sunlite, the Amalgamated Company will be able to pursue more strongly the available exploratory opportunities.

2. To provide the Amalgamated Company with an experienced, full-time staff.

In recommending the basis for the amalgamation of Sunlite and Del Norte, the Boards of Directors of both corporations gave consideration to all known financial and other factors such as oil and mineral properties, historical operations, future growth opportunities, book values and actual market price. It is believed that the basis described above, as set forth in the Memorandum of Agreement, is fair and equitable and the proper basis for such amalgamation.

The Memorandum of Agreement will be submitted to the stockholders of Del Norte for adoption at a special meeting which is scheduled to be held on September 16, 1969.

The affirmative vote of the stockholders representing at least three-fourths of the votes cast at Extraordinary General Meetings of Sunlite and Del Norte, respectively, is required for the adoption of the Memorandum of Agreement.

The Memorandum of Agreement may be terminated and the amalgamation abandoned by the action of either Sunlite or Del Norte if certain conditions set forth in the Memorandum of Agreement are not satisfied. It is not contemplated that the Memorandum of Agreement will be terminated or abandoned for any reason other than the failure on the part of either Sunlite or Del Norte to comply with its covenants and obligations thereunder.

The amalgamation will become effective after (i) approval by the stockholders of Sunlite and Del Norte at the special meetings to be held on September 16, 1969, (ii) compliance with the laws of the Province of Alberta and (iii) satisfaction of all the conditions of the Memorandum of Agreement.

The adoption of the new Memorandum of Association resulting from the amalgamation will not adversely change the rights of stockholders of Sunlite. Pursuant to the Memorandum of Agreement, the Articles of Association of Sunlite will become the Articles of Association of the Amalgamated Company.

CAPITALIZATION AFTER THE AMALGAMATION

The following table summarizes, as of June 23, 1969, the capitalization of Sunlite and its consolidated subsidiaries, Del Norte and the Amalgated Company on a pro forma basis:

<u>Title of Class</u>	<u>Sunlite</u>	<u>Del Norte</u>	<u>Sunlite and Del Norte Pro-forma Combined</u>
Debt			
Bank Loans	—	152,000	152,000
Miscellaneous Indebtedness	—	26,696	26,696
Capital Stock			
Common Stock	2,119,600(1)	125	2,249,600(1)
Authorized:			
Sunlite 3,000,000 shares without nominal or par value			
Del Norte 20,000 shares without nominal or par value			

Note:

- (1) This figure does not include 42,500 shares reserved for issuance pursuant to stock options presently outstanding or to be outstanding upon the effectiveness of the amalgamation. See "Stock Options".

BOOK VALUE OF COMMON STOCK

There is set forth below a comparison of the book values per share of Common Stock of Sunlite at March 31, 1969 with Common Shares of Del Norte at March 31, 1969 and pro-forma for the Amalgated Company.

	<u>Sunlite</u>	<u>Del Norte</u>	<u>Amalgamated Company (Pro-Forma)</u>
Common Stock Equity	\$7,822,949	\$68,061	\$7,891,010
Shares of Common Stock Outstanding as at March 31, 1969	2,117,100	125	2,247,100
Book Value per Share of Common Stock	\$3.70	\$544.49	\$3.51

MARKET PRICE OF COMMON STOCK

Sunlite's Common Stock is listed on the Vancouver Stock Exchange, but subsequent to December 1968 has been most actively traded in the over-the-counter market in the United States. The Common Stock of Del Norte is not listed or traded on any stock exchange. The following table (as supplied by Sunlite through the third quarter of 1968 and thereafter by National Quotation Bureau, Inc.) sets forth the high and low sales price of the Sunlite shares on the Vancouver Stock Exchange through the third quarter of 1968 and thereafter the high and low bid and asked prices in the United States over-the-counter market during the periods indicated:

<u>Year</u>	<u>High</u>		<u>Low</u>	
1967 (commencing February 24)	\$1.35		\$.70	
1968				
First Quarter	3.00		1.30	
Second Quarter	6.35		3.40	
Third Quarter	8.50		4.50	
	<u>Bid</u>	<u>Asked</u>	<u>Bid</u>	<u>Asked</u>
Fourth Quarter	13 ⁷ / ₈	14	5 ³ / ₄	6 ¹ / ₄
1969				
First Quarter	16	16 ¹ / ₄	10	10 ¹ / ₄
Second Quarter	13 ³ / ₄	14 ¹ / ₄	8 ¹ / ₄	8 ³ / ₄
Third Quarter (Through August 28, 1969)	10	10 ¹ / ₂	6 ¹ / ₄	6 ³ / ₄

On August 28, 1969, the closing price of the Sunlite Common Stock in the U. S. over-the-counter market was \$6³/₄ bid, \$7¹/₄ asked.

SUNLITE OIL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS (Canadian Dollars)

The following consolidated statement of operations of Sunlite Oil Company Limited and subsidiaries for the three years ended December 31, 1966, the nine months ended September 30, 1967 and the year ended September 30, 1968 has been examined by Riddell, Stead & Co., independent accountants. The opinion of the independent accountants appears elsewhere in this proxy statement.

The consolidated statements of operations for the six months ended March 31, 1968 and 1969 have not been audited; however, all adjustments (consisting only of normal recurring accruals) necessary to a fair statement of the results for these interim periods have been made.

The consolidated statement of operations should be read in conjunction with the other financial statements and notes thereto appearing elsewhere in this proxy statement.

	Year Ended December 31,			Nine Months Ended September 30, 1967	Year Ended September 30, 1968	Six Months Ended March 31,	
	1964	1965	1966			1968	1969
						(Unaudited)	(Unaudited)
INCOME							
Oil and gas	\$32,900	\$33,471	\$31,205	\$ 20,547	\$ 30,223	\$ 16,496	\$ 12,081
Interest (Note 2)	—	—	—	24,717	42,115	21,047	159,453
Other	—	—	—	1,250	—	—	—
	<u>32,900</u>	<u>33,471</u>	<u>31,205</u>	<u>46,514</u>	<u>72,338</u>	<u>37,543</u>	<u>171,534</u>
EXPENSES							
Operating	9,534	11,301	10,642	6,839	10,927	5,377	4,024
General and administrative	1,163	615	9,481	20,308	48,525	15,133	54,372
Carrying charges on non-producing properties	—	112	955	117	144	112	15,192
Dry hole costs	104	—	—	—	—	—	137,378
Depreciation	2,344	2,279	2,133	1,583	2,239	1,338	1,100
Depletion and amortization	7,141	6,810	6,462	4,513	8,044	3,575	4,000
Interest expense	3,498	2,282	1,837	2,055	881	448	4,171
Property surrenders and write offs (Note 3)	—	—	—	15,579	83,510	65,576	62,013
	<u>23,784</u>	<u>23,399</u>	<u>31,510</u>	<u>50,994</u>	<u>154,270</u>	<u>91,559</u>	<u>282,250</u>
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	9,116	10,072	(305)	(4,480)	(81,932)	(54,016)	(110,716)
Extraordinary items (Note 4)	—	2,202	(4,614)	(33,330)	1,039,021	—	933,296
	<u>9,116</u>	<u>12,274</u>	<u>(4,919)</u>	<u>(37,810)</u>	<u>957,089</u>	<u>(54,016)</u>	<u>822,580</u>
Income taxes (recovery) (Note 5)	—	—	—	—	148,006	(17,000)	428,105
EARNINGS (LOSS)	<u>\$ 9,116</u>	<u>\$12,274</u>	<u>\$ (4,919)</u>	<u>\$ (37,810)</u>	<u>\$ 809,083</u>	<u>\$ (37,016)</u>	<u>\$394,475</u>

PER COMMON SHARE

Based on average number of shares outstanding in each period, after giving retroactive effect to the issuance, in 1966, of shares for the consideration of the cancellation of shareholders' loans

Earnings (loss) before extraordinary items	4.5¢	5.0¢	—	(.3¢)	(5.6¢)	(3.7¢)	(6.0¢)
Extraordinary items	—	1.1¢	(1.9¢)	(2.5¢)	71.4¢	—	50.8¢
Income taxes	—	—	—	—	10.2¢	(1.2¢)	23.3¢
Earnings (loss)	4.5¢	6.1¢	(1.9¢)	(2.8¢)	55.6¢	2.5¢	21.5¢
Dividends	—	—	—	—	—	—	—
Book value March 31, 1969—\$3.70							

NOTE 1 During 1967, the company changed its fiscal year end from December 31 to September 30.

NOTE 2 Interest is derived from short-term investment of the remaining proceeds from the sale of shares in the company.

NOTE 3 The cost to the company of royalty rights on properties surrendered or abandoned by the operators is charged to income in the year of surrender or abandonment and reflected under "property surrenders and write offs".

NOTE 4 The extraordinary items consist of the following: 1965—gains on sale of investments, 1966—share issue expenses (\$4,208) and incorporation expenses written off, 1967—share issue expenses written off, 1968—gains on sale of non-producing property (\$1,116,680) and share issue expenses (\$77,659) written off, 1969—gains on sale of non-producing property (\$981,273) and share issue expenses (\$47,977) written off. See "Business of Sunlite—Exploration and Development".

NOTE 5 For Canadian income tax purposes, the company has claimed drilling, exploration and property acquisition costs in excess of related depletion and amortization provisions and property surrenders and write-offs reflected in the accounts. As a result, no income tax has been payable prior to 1968.

If the tax allocation basis had been followed for all timing differences between taxable income and reported earnings, income tax provisions (credits) and earnings (losses) would have been as follows:

	Year Ended December 31,			Nine Months Ended September 30, 1967	Year Ended September 30, 1968
	1964	1965	1966		
Earnings (loss) before income taxes	\$9,116	\$12,274	\$(4,919)	\$(37,810)	\$957,089
Income taxes (credit)					
Current	—	—	—	—	148,006
Deferred	2,500	3,500	(800)	(7,000)	320,000
	2,500	3,500	(800)	(7,000)	468,006
Earnings (loss) after current and deferred income taxes	\$6,616	\$ 8,774	\$(4,119)	\$(30,810)	\$489,083
Per Common Share	3.3¢	4.4¢	(1.6¢)	(2.3¢)	33.6¢

The accumulated income tax reductions relating to all timing differences prior to September 30, 1968 amount to approximately \$325,000 at that date.

Provisions for (recovery of) income taxes for the six months ended March 31, 1968 and 1969, and the liability for income taxes shown on the consolidated and pro-forma consolidated balance sheets, are calculated as if these interim periods had been complete taxation years. Tax provisions and liability may be affected by the company's operations to September 30, 1969, the end of the company's taxation year.

NOTE 6 Reference is made to the notes to consolidated financial statements appearing elsewhere in this proxy statement.

NOTE 7 Unaudited consolidated operating results of the companies for the three months ended June 30, 1969 are approximately as follows:

Income	\$116,000
Expenses, including income taxes	61,000
Earnings	\$ 55,000

Subsequent to June 30, 1969 the company commenced abandonment of a part of its mining operations in the United States. On abandonment, property costs of approximately \$75,000 will be charged to income.

DEL NORTE OIL LTD.
(Formerly Northern Petroleum Consultants Ltd.)

STATEMENT OF OPERATIONS

(Canadian Dollars)

The following statement of operations of the Company has been examined by Winspear, Higgins, Stevenson and Doane, independent accountants, for the five years ended March 31, 1969. The opinion of the independent accountants appears elsewhere in this proxy statement.

The statement should be read in conjunction with the other financial statements and notes thereto appearing elsewhere in this proxy statement.

	Year Ended March 31,				
	1965	1966	1967	1968	1969
INCOME					
Fees	\$11,208	\$16,673	\$ 5,200	\$ 2,450	\$ —
Oil and gas	543	3,575	3,916	1,666	6,804
Other	1,000	881	911	981	694
	<u>12,751</u>	<u>21,129</u>	<u>10,027</u>	<u>5,097</u>	<u>7,498</u>
EXPENSES					
Operating	—	—	—	—	4,348
General and administrative	58,883	70,948	84,622	85,142	115,582
Dry hole costs and property surrenders	803	—	5,143	17,250	5,624
Depreciation	464	612	535	533	901
Interest	—	—	—	—	3,314
	<u>60,150</u>	<u>71,560</u>	<u>90,300</u>	<u>102,925</u>	<u>129,769</u>
Deduct: Expenses recovered	48,000	81,200	83,030	88,001	81,900
	<u>12,150</u>	<u>(9,640)</u>	<u>7,270</u>	<u>14,924</u>	<u>47,869</u>
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	<u>601</u>	<u>30,769</u>	<u>2,757</u>	<u>(9,827)</u>	<u>(40,371)</u>
Extraordinary items (Note 1)	—	—	41,624	—	50,000
	<u>601</u>	<u>30,769</u>	<u>44,381</u>	<u>(9,827)</u>	<u>9,629</u>
Income taxes (recovery) (Note 2)	136	6,229	7,729	(3,260)	—
EARNINGS (LOSS)	<u>\$ 465</u>	<u>\$24,540</u>	<u>\$36,652</u>	<u>\$ (6,567)</u>	<u>\$ 9,629</u>
PER COMMON SHARE. Based on 125 shares outstanding:					
Earnings (loss) before extraordinary items	\$4.81	\$246.15	\$ 22.06	\$ (78.62)	\$(322.97)
Extraordinary items	—	—	332.99	—	400.00
Income taxes	1.09	49.83	61.83	(26.08)	—
Earnings (loss)	3.72	196.32	293.22	(52.54)	77.03
Dividends	—	—	—	—	200.00
Book value March 31, 1969—\$544.49					

NOTE 1: The extraordinary items consist of the following: 1967—gain on sale of petroleum interests \$41,624; 1969—non-recurring dividend received \$50,000.

NOTE 2: For Canadian income tax purposes the company claimed drilling, exploration and property acquisition costs and depletion of \$8,623 in excess of dry hole costs and property surrenders as reflected in the accounts in 1967. No income taxes are payable for 1969 as income includes non-taxable dividends.

NOTE 3: On May 1, 1967 the company changed its name from Northern Petroleum Consultants Ltd. to Del Norte Oil Ltd.

NOTE 4: Reference is made to the notes to financial statements appearing elsewhere in this proxy statement.

NOTE 5: Unaudited operating results of the company for the three months ended June 30, 1969 are approximately as follows:

Income	\$ 1,000
Expenses	<u>33,000</u>
Loss	<u>\$32,000</u>

SUNLITE OIL COMPANY LIMITED

(the amalgamated company—Note 1)

AND SUBSIDIARIES

PRO-FORMA CONSOLIDATED STATEMENT OF OPERATIONS

(Canadian Dollars)

The following statement has been prepared by combining the statements of operations for the constituent companies as listed below:

1. Sunlite Oil Company Limited and subsidiaries for the three years ended December 31, 1966, the nine months ended September 30, 1967 and the year ended September 30, 1968 (examined by Riddell, Stead & Co. whose opinion appears elsewhere in this proxy statement) and for the six months ended March 31, 1968 and 1969 (unaudited).
2. Del Norte Oil Ltd. for the five years ended March 31, 1969 (examined by Winspear, Higgins, Stevenson and Doane whose opinion appears elsewhere in this proxy statement).

This statement should be read in conjunction with the financial statements of the two companies and related notes appearing elsewhere in this proxy statement.

	Year Ended December 31,			Nine Months Ended September 30, 1967	Year Ended September 30, 1968	Six Months Ended March 31,	
	1964	1965	1966			1968	1969
						(Unaudited)	(Unaudited)
<i>Including Del Norte Oil Ltd. for the year ended March 31,</i>	<i>(1965)</i>	<i>(1966)</i>	<i>(1967)</i>	<i>(1968)</i>	<i>(1969)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>
INCOME							
Oil and gas	\$33,443	\$37,046	\$ 35,121	\$ 22,213	\$ 37,027	\$ 16,496	\$ 12,081
Interest	—	—	—	24,717	42,115	21,047	159,453
Fees	11,208	16,673	5,200	2,450	—	—	—
Other	1,000	881	911	2,231	694	—	—
	<u>45,651</u>	<u>54,600</u>	<u>41,232</u>	<u>51,611</u>	<u>79,836</u>	<u>37,543</u>	<u>171,534</u>
EXPENSES							
Operating	9,534	11,301	10,642	6,839	15,275	5,377	4,024
General and administrative	60,046	71,563	94,103	105,450	164,107	15,133	54,372
Carrying charges on non-producing property	—	112	955	117	144	112	15,192
Dry hole costs	907	—	5,143	17,250	5,624	—	137,378
Depreciation	2,808	2,891	2,668	2,116	3,140	1,338	1,100
Depletion and amortization	7,141	6,810	6,462	4,513	8,044	3,575	4,000
Interest expense	3,498	2,282	1,837	2,055	4,195	448	4,171
Property surrenders and write offs	—	—	—	15,579	83,510	65,576	62,013
	<u>83,934</u>	<u>94,959</u>	<u>121,810</u>	<u>153,919</u>	<u>284,039</u>	<u>91,559</u>	<u>282,250</u>
Deduct expenses recovered	48,000	81,200	83,030	88,001	81,900	—	—
	<u>35,934</u>	<u>13,759</u>	<u>38,780</u>	<u>65,918</u>	<u>202,139</u>	<u>91,559</u>	<u>282,250</u>
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	9,717	40,841	2,452	(14,307)	(122,303)	(54,016)	(110,716)
Extraordinary items (Note 2)	—	2,202	37,010	(33,330)	1,089,021	—	933,296
	<u>9,717</u>	<u>43,043</u>	<u>39,462</u>	<u>(47,637)</u>	<u>966,718</u>	<u>(54,016)</u>	<u>822,580</u>
Income taxes (recovery)	136	6,229	7,729	(3,260)	148,006	(17,000)	428,105
EARNINGS (Loss)	<u>\$ 9,581</u>	<u>\$36,814</u>	<u>\$ 31,733</u>	<u>\$ (44,377)</u>	<u>\$ 818,712</u>	<u>\$ (37,016)</u>	<u>\$ 394,475</u>
PER COMMON SHARE; (after giving retroactive effect to the proposed merger of the constituent companies)							
Earnings (loss) before extraordinary items	2.9¢	12.4¢	.6¢	(.9¢)	(7.7¢)	(3.4¢)	(5.6¢)
Extraordinary items	—	.6¢	9.6¢	(2.3¢)	68.7¢	—	47.4¢
Income taxes	—	1.9¢	2.0¢	(.2¢)	9.3¢	(1.1¢)	21.8¢
Earnings (loss)	2.9¢	11.1¢	8.2¢	(3.0¢)	51.7¢	(2.3¢)	20.0¢
Dividends (excluding Del Norte Oil Ltd.)	—	—	—	—	—	—	—
Book value March 31, 1969—\$3.51							

NOTE 1 On May 16, 1969, Sunlite Oil Company Limited (Sunlite) entered into an agreement with Del Norte Oil Ltd. (Del Norte) and Del Norte's shareholders, under the terms of which Sunlite and Del Norte have agreed to amalgamate and to continue operations under the name of Sunlite Oil Company Limited (the amalgamated company). The agreement provides that each shareholder of Sunlite will be deemed to have received one share in the capital stock of the amalgamated company and that each shareholder of Del Norte will receive 1,040 shares in the capital stock of the amalgamated company. Certain of Del Norte's shareholders enter into employment agreements with the Amalgamated Company and under these agreements will receive options to purchase an aggregate of 40,000 additional shares of the common stock of the amalgamated company.

The amalgamation will be accounted for on the pooling of interests basis.

NOTE 2 The extraordinary items consist of the following: 1965—gains on sale of investments, 1966—share issue expenses (\$4,208) incorporation expenses written off (\$406) and gain on sale of petroleum interests (\$41,624), 1967—share issue expenses written off, 1968—gains on sale of non-producing property (\$1,116,680), share issue expenses (\$77,659) written off and non-recurring dividend received (\$50,000), 1969—gains on sale of non-producing property (\$981,273) and share issue expenses (\$47,977) written off.

NOTE 3 Operating results for the six months ended March 31, 1968 and 1969 include only those of Sunlite and its subsidiaries.

NOTE 4 Reference is made to the notes to financial statements of the constituent companies appearing elsewhere in this proxy statement.

NOTE 5 Unaudited pro forma consolidated operating results of the companies for the three months ended June 30, 1969 are approximately as follows:

Income	\$117,000
Expenses, including income taxes	94,000
Earnings	<u>\$ 23,000</u>

Subsequent to June 30, 1969 Sunlite commenced abandonment of a part of its mining operations in the United States. On abandonment, property costs of approximately \$75,000 will be charged to income.

SUNLITE OIL COMPANY LIMITED
(the amalgamated company)

PRO-FORMA CONSOLIDATED BALANCE SHEET

(Canadian Dollars)

March 31, 1969

(Unaudited)

The following pro-forma consolidated balance sheet of Sunlite Oil Company Limited (the amalgamated company) is after giving effect as at March 31, 1969 to the amalgamation, on the pooling of interests basis, of Sunlite Oil Company Limited (Sunlite) and Del Norte Oil Ltd. (Del Norte). The pro-forma entries in effect combine the unaudited balance sheet of Sunlite and the balance sheet of Del Norte (examined by Winspear, Higgins, Stevenson and Doane, independent accountants, whose opinion appears elsewhere in this proxy statement).

This pro-forma consolidated balance sheet should be read in conjunction with the financial statements of the two companies and related notes appearing elsewhere in this proxy statement.

ASSETS

CURRENT ASSETS		
Cash	\$7,342,086	
Accounts receivable	748,728	\$8,090,814
	<hr/>	
PROPERTY, PLANT AND EQUIPMENT, at cost		
Petroleum and natural gas leases and rights together with development thereon		
Producing	263,752	
Accumulated depreciation, depletion and amortization	115,207	
	<hr/>	
	148,545	
Non-producing		
Royalty rights	458,970	
Leases and lease applications	395,781	
Work in progress	52,575	
Other mineral and surface rights together with development thereon	334,227	
Furniture and fixtures, less accumulated depreciation	2,465	1,392,563
	<hr/>	
OTHER ASSETS		
Deposits refundable on fulfillment of exploration commitments		262,191
		<hr/>
		<u>\$9,745,568</u>

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness	\$ 296,196	
Accounts payable	955,555	
Income taxes	576,111	
Loan payable to the Government of Canada	26,696	\$1,854,558
	<hr/>	

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
3,000,000 shares without nominal or par value		
Issued		
2,247,100 shares	6,623,180	
RETAINED EARNINGS	1,267,830	7,891,010
	<hr/>	
		<u>\$9,745,568</u>

BUSINESS OF SUNLITE

General

Sunlite was incorporated March 2, 1945, under the laws of the Province of Alberta, and is presently engaged in the exploration for, and development of oil and gas properties and the exploration for mineral properties primarily in Canada. In 1966, Mr. Donald K. Russell, President of Sunlite, Edward L. Kennedy a director of Sunlite and J. A. Thomas, A. D. Schulte, E. C. James, associates of Mr. Russell, purchased five shares of Sunlite's Common Stock (which shares were subsequently split two-for-one) from Vanderham Oil Properties Ltd. for \$170,000 (the above named individuals are with the firm of Lehman Brothers, investment bankers). On August 31, 1966, there were also cancelled shareholder loans made by the previous shareholders to Sunlite totalling \$105,037. Mr. Russell and his associates subsequently purchased 199,990 shares of Sunlite's Common Stock from Sunlite for \$200 in cash. The aggregate cash consideration paid for all 200,000 shares was approximately \$.85 per share. By reason of such transactions and stockholdings Mr. Russell and his associates may be deemed "parents" of Sunlite, and Vanderham Oil Properties Ltd. its "founder". Such persons would also be deemed the "parents" and "founder" of the Amalgamated Company respectively.

Sunlite had been relatively inactive and when acquired had a small working interest in the production of crude oil from the Pembina Field in Alberta, when under its present management it began the acquisition of its present property interests. Sunlite engaged in 1966 and most of 1967 in acquiring gross overriding royalty interests in land prospective for discovery and development of petroleum, natural gas and related hydrocarbons in Western Canada. During 1966 and until December 20, 1967 a stipulation to Canadian regulatory authorities had limited the use of funds to the purchase of overriding royalties and producing properties. Since the change Sunlite's activity has been concentrated on working interests in oil exploration and to a minor extent mineral exploration. Sunlite's only production equipment consists of a partial interest in conventional equipment used in the production of petroleum from producing lands.

As of August 1, 1969, Sunlite held \$6,400,000 in cash (or certificates of deposit). Sunlite intends to use these funds for land acquisitions (in Canada primarily from the Crown), geological and geophysical investigations of lands presently held by Sunlite or to be acquired, and for further drilling. Exploration will emphasize the search for oil and gas. In the event of successful exploration, development expenditures will be required. Fulfillment of present work obligations on permits now held will require the expenditure of substantial sums.

Oil and Gas Activities

The nature, location and extent of Sunlite's oil and gas property, as of June 20, 1969, are summarized in the following tables:

Gross Overriding Royalty Interests(7)	Acreage		Underlying Interest Held Pursuant to (1)		
	Gross(2)	Net(3)	Reservation(4)	Permit(5)	Lease(6)
Alberta	949,294(10)		652,654	—	296,640
Saskatchewan	620,090(10)		—	582,329	37,761
North West Territories	4,692,887(10)		—	4,692,887	—

**Non Producing
Working Interest(8)**

East Coast of Canada	10,071,441	3,357,147	—	10,071,441	—
Arctic Islands	1,884,650	1,884,650	—	1,884,650	—
Hudson Bay	4,863,569	4,181,002	—	4,863,569	—
Alaska (Bethel Basin) (11) ...	293,760	293,760	—	—	293,760
Alberta	111,828	27,017	79,040	—	32,788
Saskatchewan	70,400	25,162	—	68,480	1,920
Wyoming	15,589	11,692	—	—	15,589
Louisiana	6,194	806	—	—	6,194
Florida	2,480	2,240	—	—	2,480
Offshore Italy (Adriatic Sea) ..	42,285	8,456	—	42,285	—

Producing Working Interest(9)

Alberta	4,323	432	—	—	4,323
Saskatchewan	320	40	—	—	320

- (1) Most of the oil and gas properties are located in Western Canada. Notes (4), (5) and (6) below summarize certain provisions of applicable Canadian law.
- (2) "Gross Acreage" means the total number of acres in which Sunlite has a working interest.
- (3) "Net Acreage" means the aggregate of gross acres in each tract multiplied by the percentage of the working interest therein owned by Sunlite.
- (4) Under the laws of the Province of Alberta the holder of a "Reservation" is, upon payment of certain fees, entitled to exclusive exploratory rights to the land subject to the reservation. A reservation in good standing may be converted into a lease covering up to one-half of the area of the reservation in the case of oil and the entire area in the case of natural gas, the balance being surrendered to the Crown.
- (5) Under the laws of the Province of Saskatchewan, British Columbia and the Northwest Territories, the holder of a "Permit" is given exclusive exploratory rights subject to completion of the required exploratory work on the acreage held subject to the permit. Permits may be converted into leases generally covering up to one-half the area.
- (6) Canadian Crown "Leases" generally require the payment of a specific annual rental and subject producing acreage to a specified Crown Royalty. The term of the lease is usually ten years.
- (7) "Gross Overriding Royalty Interest Acreage" means acreage which is free and clear of expenses other than production taxes and ad valorem taxes. Sunlite's gross overriding royalty interest survives a conversion from reservation or permit to lease, but terminates as to the lands included in that part of a reservation or permit which is surrendered. Generally Sunlite has no control over what lands will be surrendered.
- (8) "Non-producing Working Interest Acreage" includes all leases and reservations or permits on which payment of rentals is required, and also includes permits or reservations which until converted to lease involve work obligations rather than rentals. As opposed to overriding royalty interests, working interests entail exploration, drilling and operating costs.
- (9) "Producing Working Interest Acreage" includes all leases held by production on which rentals are not required to be paid, except in the case of Crown leases. As opposed to gross overriding royalty interests, working interests entail exploration, drilling, and operating costs.
- (10) Sunlite's overriding royalty interests vary from .5% to 2½%.
- (11) Claimed pursuant to lease applications (preferential filings). There is no assurance that Sunlite will be issued leases covering all or any part of these lease applications.

Reservations and permits, in order to be kept in good standing generally require certain minimum expenditure as work obligations. Reservations generally require the expenditures from the second year on of from 7¢ to 40¢ per acre on a sliding scale over a maximum period of five years. Permits generally require the expenditure of from 5¢ to 50¢ per acre for periods ranging up to twelve years, depending on the location of the property and the length of time the permit has been held. Leases generally require rental obligation of \$1.00 per acre over the term of the lease.

Exploration and Development

In 1966 and in 1967 Sunlite's activity comprised chiefly the acquisition of gross overriding royalty interests in acreage in Western Canada. Subsequent acquisitions of overriding royalties have been in nominal amounts except for a 1% override in 2.8 million acres in the Beaufort Sea retained when Sunlite sold working interests in those acres for \$2,102,329 to independent oil companies. This transaction gave rise to an extraordinary profit of \$2,097,953, before income taxes. See Note 4 to Consolidated Statement of Operations—Sunlite.

Due to the cost of work programs necessary to keep reservations, permits, and leases in good standing, it is certain that part of the reservations, permits or leases relating to the lands in which Sunlite has a royalty interest will be surrendered in the future. During the period January 1, 1967 to March 31, 1969, approximately 682,993 acres of land in which Sunlite held gross overriding royalty interests were surrendered by the beneficial holders thereof, and approximately \$108,250 was charged against the operating income of Sunlite with respect to such surrenders.

In the latter part of 1967 Sunlite acquired certain overriding royalties convertible at Sunlite's option into working interests. To date there have been two wells capable of production drilled on these lands and Sunlite's interests were subsequently converted to working interests. In respect to other lands on which Sunlite held a gross overriding royalty interest, Sunlite estimates that 50 exploratory wells have been drilled near or to a minor extent on such properties. All such exploratory wells were dry, except for four shut-in gas wells one of which is on land on which Sunlite holds an overriding royalty.

Since late 1967 activity has been confined almost exclusively to working interest exploration and the acquisition of working interest properties, whether lease, permit or reservation, for subsequent exploration. Including overrides convertible into working interests, from January 1, 1967 to August 1, 1969 Sunlite has had an average of approximately 27% participation in the drilling of 23 wells. Of these four are capable of production (two oil and two gas) and 19 were dry holes.

From September of 1968 to April 1, 1969 Sunlite has taken part in six wildcat participations, including two in Saskatchewan and four in Alberta involving working interest participation of from 12½% to 85%. All were unsuccessful. In addition a well re-entry project in Vermilion Parish, Louisiana, in which Sunlite Nevada, Inc., a wholly-owned subsidiary of Sunlite, had a minor participation was unsuccessful. This drilling has following the recommendations of outside consultants. As of April 15, 1969, Sunlite entered into a joint venture agreement under which it will engage in certain exploration activities with Del Norte. Under this agreement, three dry holes have recently been drilled in Alberta. See "Business of Del Norte" for a description of the joint venture agreement and Del Norte's agreement with Canex Aerial Exploration Ltd. After the amalgamation the present Del Norte staff will conduct Sunlite's oil and gas exploration in Canada.

Sunlite's major land interests are located throughout Western Canada and the northern regions of Eastern Canada. Lesser interests are held by Sunlite Nevada in parts of the continental United States including Florida, Louisiana and Wyoming. Sunlite held a 25% working interest in an unsuccessful wildcat recently drilled in Wyoming and will participate to the extent of 25% in another wildcat well in that state to be started in September.

During 1969 arrangements were completed to acquire for filing fees and work obligations some 3.3 million net acres of offshore exploratory permits, out of 10,071,441 gross acres, in wilder northern areas of Eastern Canadian waters, including Ungava Bay, Cumberland Sound and Davis Strait offshore of Baffin Island. Including this acquisition, Sunlite will own permits covering approximately 9.4

million net acres in the Arctic Islands, Hudson Bay and environs and eastern waters. Other companies are scheduled to drill this year in Hudson Bay, Ungava Bay and off-shore Nova Scotia. Sunlite holds approximately 6.2 million acres of overriding royalty interests, chiefly in the Northwest Territories and the Beaufort Sea and to a lesser extent in Alberta and Saskatchewan.

In the Bethel Basin of Alaska Sunlite holds some 293,000 acres of lease applications. A 25% interest is being acquired in 78,000 acres of priority filings in the southern part of Alaska's North Slope. Neither of these filings will necessarily result in leases being granted to Sunlite.

The Italian government has granted to a group of Canadian companies an exploratory concession covering 42,285 acres in the Adriatic Sea off the east coast of Italy near the town of Vasto. Sunlite's interest is 20%. The area is thought prospective for gas.

As of the date of the Proxy Statement Sunlite is negotiating an agreement to earn through drilling participation a 15% interest in some 2 million acres in New Zealand. The first wildcat was dry. If agreement is reached, Sunlite will bear its proportionate share of the costs of this well. To fulfill the proposed agreement Sunlite will be required to participate in a second wildcat well. Pursuant to this agreement, Sunlite is also negotiating for an option to earn a 25% interest in approximately 1.4 million acres in New Zealand. There can be no assurance, however, that negotiations will result in the consummation of a satisfactory agreement.

Reserves

A report of James A. Lewis Engineering Co. Ltd. is included below and describes and evaluates the proved reserves of the producing properties in which Sunlite holds a working interest or a gross overriding royalty interest.

Since June 1, 1969, the effective estimate date of the following report, an additional gas well was brought in on the Coutts area of Alberta. Sunlite has a 12½% interest in this well.

June 19, 1969

File: 9464

Sunlite Oil Company Limited
Fourth Floor
Alberta Wheat Pool Building
505 Second Street S.W.
Calgary 1, Alberta
Gentlemen:

In accordance with your instructions, we have prepared an estimate of the proved oil and gas reserves contained in certain properties owned by Sunlite Oil Company Limited, hereinafter referred to as Sunlite. The effective date of this estimate is June 1, 1969.

The properties in question are described as follows:

ALBERTA

Pembina

Lindale Cardium Unit 12

Cynthia Cardium Unit 11

Blue Rapids Unit 1

Lease 113-770

Lease 113-780

Lease 113-775

Lease 113-781

Coutts

Section 9-49-5 W. 5M

E/2 Section 29-49-10 W. 5M

NW/4 Section 12-47-9 W. 5M

Section 32-49-7 W. 5M

E/2 Sections 24, 25 and 36-48-11 W. 5M

W/2 Section 14-47-10 W. 5M

S/2 Sections 1 and 2-49-11 W. 5M

15-4-1-15 W. 4M

SASKATCHEWAN

Lougheed

4- 4-7-14 W. 2M

Oungre

9-24-2-15 W. 2M

A detailed listing of interests held by Sunlite in these properties is presented in Table 2 together with pertinent economic data.

The term net reserves as used herein means those crude oil and gas reserves owned by Sunlite after deduction of all applicable royalties. Total proved net reserves owned by Sunlite as of June 1, 1969 have been estimated to be 190,000 barrels of oil and 685,000 Mscf of gas. A detailed listing by property of ultimate recoveries and gross and net reserves is presented in Table 1. Sunlite's principal reserves are attributable to its participation in waterflood units 11 and 12 and lease 113-770. Water injection operations have been underway in the units since 1963; however, lease 113-770 is receiving pressure maintenance assistance from water injection immediately to the northeast.

All of the oil reserves presented herein are from proved producing properties and no further capital investment will be required for the recoveries as estimated. The gas reserves will require future capital expenditures of \$11,000 to Sunlite for a standby well and for a two-mile pipeline to supply gas to the town of Milk River. In preparation of this report we have had access to the offices and records of the Company in Calgary, Alberta and conferred freely with officers and employees of the Company. It was not necessary to conduct field examinations of property conditions and the character of ownership and factual data furnished by the Company have been accepted as represented.

We consent to the use of this report or any parts thereof and to the use of our name under the headings of "Business of Sunlite" and "Experts" contained in the Registration Statement of Sunlite Oil Company Limited to be filed with the Securities Exchange Commission, Washington, D.C.

Very truly yours,

JAMES A. LEWIS ENGINEERING CO. LTD.

J. E. Michaud, P. Eng.
President

JRD:jam

Table 1

SUMMARY OF PRODUCTION DATA AND RESERVE ESTIMATES
PROVED RESERVES

SUNLITE OIL COMPANY LIMITED

June 1, 1969

Field and Lease	Gross Ultimate Recovery, Stb/Mscf	Cumulative Production to 6-1-69, Stb/Mscf	Gross Reserves, Stb/Mscf	Net Sunlite Reserves, Stb/Mscf	Current Monthly Production, Stb/Mscf	Future Life at Current Rate, Years	Reserve Analysis Method
OIL							
ALBERTA							
Pembina							
Lindale Cardium Unit 12	21,855,000	8,478,000	13,377,000	79,000	42,000	26	V-WF
Cynthia Cardium Unit 11	33,575,000	11,414,000	22,161,000	33,000	90,000	21	V-WF
Blue Rapids Cardium Unit 1 ..	2,800,000	1,053,000	1,747,000	6,000	5,600	26	V-WF
Lease 113-770	730,000	223,000	507,000	46,000	1,500	28	V
Lease 113-780	400,000	266,000	134,000	12,000	1,400	8	D
Lease 113-775	200,000	106,000	94,000	1,000	750	10	D
Lease 113-781	180,000	106,000	74,000	7,000	775	8	D
Total Alberta	59,740,000	21,646,000	38,094,000	184,000			
SASKATCHEWAN							
Lougheed							
4- 4-7-14 W.2M	25,000	9,000	16,000	2,000	450	3	D
Oungre							
9-24-2-15 W.2M	50,000	14,000	36,000	4,000	600	5	D
Total Saskatchewan	75,000	23,000	52,000	6,000			
GRAND TOTAL OIL	59,815,000	21,669,000	38,146,000	190,000			
GAS							
ALBERTA							
Coutts							
15-4-1-15 W.4M(1)	3,210,000	—	3,210,000	685,000	—	—	V

NOTE: (1) Shut-in gas well.

Table 2

GENERAL PROPERTY IDENTIFICATION AND BASIC ECONOMIC FACTORS
 PROPERTIES ASSIGNED RESERVES
 SUNLITE OIL COMPANY LIMITED
 June 1, 1969

Field and Lease		Producing Formation	Number of Gross Wells	Working Interest, Per Cent	ROYALTIES PAYABLE		Net Crude Price, \$/Barrel	LEASE OPERATING COSTS		
					Basic, Per Cent	Overriding, Per Cent		100 Per Cent \$/Year	\$/Well/Mo.	Sunlite Share, \$/Year
ALBERTA										
Pembina										
Lindale	Cardium Unit 12	Cardium	86	0.658643	Crown	—	\$2.600	\$413,000	\$400	\$2,700
Cynthia	Cardium Unit 11	Cardium	140	0.1641	Crown	1.0	2.600	672,000	400	1,100
Blue Rapids	Cardium Unit 1 ...	Cardium	28	(1)	Crown	—	2.600	134,000	400	500
Lease 113-770	.....	Cardium	4	10.0	Crown	—	2.600	17,000	350	1,700
Lease 113-780	.....	Cardium	5	10.0	Crown	—	2.600	21,000	350	2,100
Lease 113-775	.....	Cardium	2	(2)	—	—	2.600	8,400	350	—
Lease 113-781	.....	Cardium	2	10.0	Crown	—	2.600	8,400	350	800
Coutts										
15- 4-1-15 W.4M (3)	.....	Moulton & Cutbank	1	25.0	Crown	—	—	—	—	—
SASKATCHEWAN										
Lougheed										
4- 4-7-14 W.2M	.....	Midale	1	12-1/2	Crown +R.A.	1/150(5-15)	2.135	6,300	525	790
Oungre										
9-24-2-15 W.2M	.....	Lower Ratcliffe	1	12-1/2	Crown +R.A.	1/150(5-15)	2.180	6,000	500	750

NOTES: (1) 0.1332 per cent to 9-1-69 and 0.3659 per cent thereafter.

(2) No working interest, 1.5 per cent overriding royalty owned by Sunlite.

(3) Shut-in gas well.

Mineral Activities

To date Sunlite has not established that any commercially significant mineral interests exist on any of its properties. Sunlite's major mineral interests are discussed below.

Sunlite has earned a 25% working interest in some 8,000 acres of uranium claims in the Kisiwak Lake area of Northern Saskatchewan. Exploration to date is being reviewed to determine whether further expenditure is warranted.

Near the southwestern end of the Wollaston Lake-Sandfly trend of Saskatchewan Sunlite has filed on two permits totalling approximately 380,000 acres and is conducting radiometric, electromagnetic and surface exploration for uranium and base metals on these permits. Certain additional claims have recently been filed in the vicinity. Obligatory spending on these two permits in 1969 is \$30,000 each, with increasing obligations in 1970 and 1971 if the permits are retained. Present plans contemplate that 1969 spending will be approximately \$225,000.

At the northeastern end of the Wollaston Lake-Sandfly trend in northwestern Manitoba, Sunlite is financing 1969 exploration of some 1.1 million acres of permits that Sunlite believes may be prospective for uranium and base metals. Sunlite and partners are committed to expend this year some \$300,000 in exploration of these permits. Sunlite's interest is 40% or \$120,000. No interest will be earned by these expenditures. If the group elects to spend approximately \$500,000 in 1970 it will earn thereby a 40% interest in the permits, with Sunlite earning 16%.

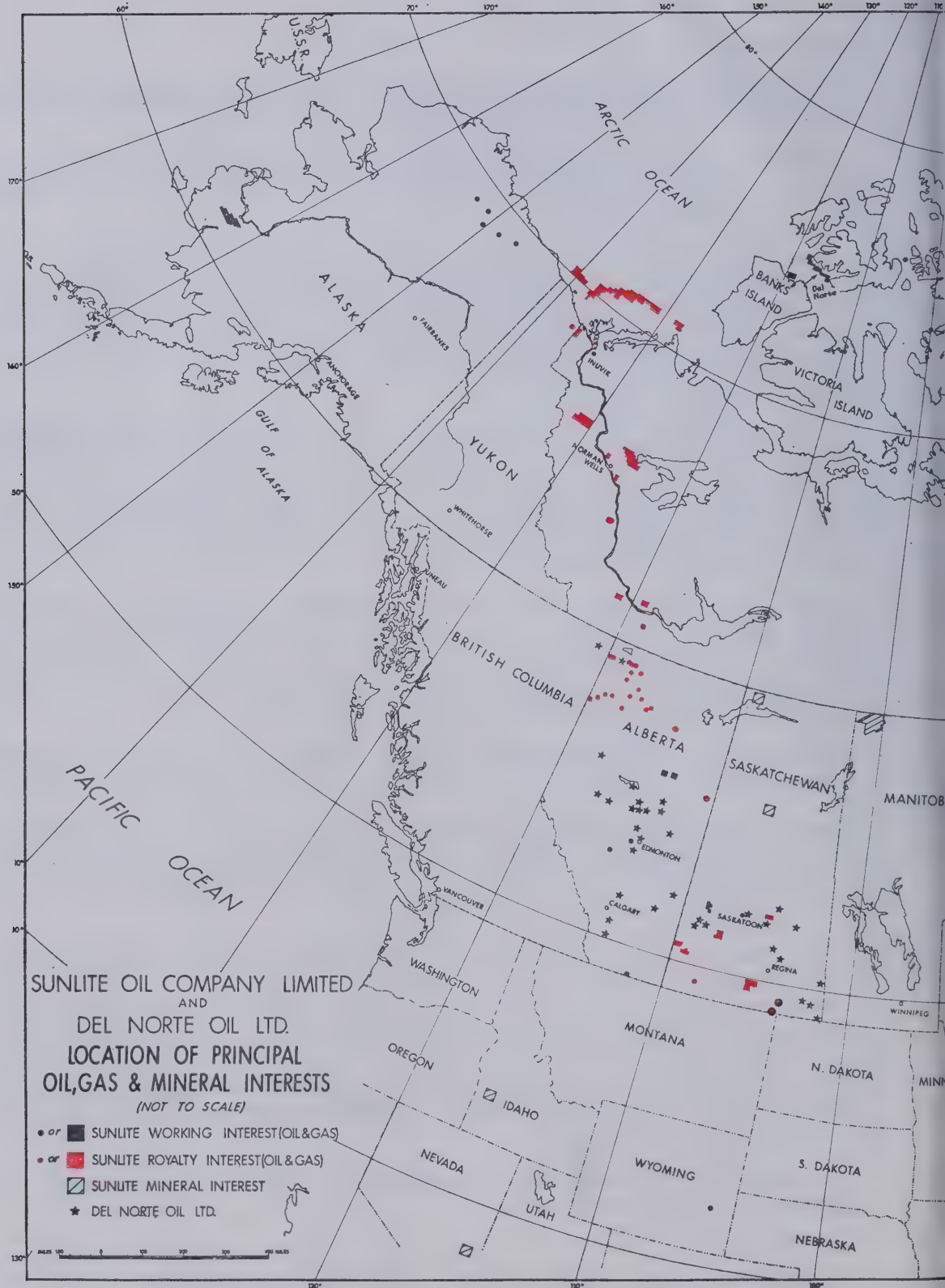
There can be no assurance that Sunlite will spend sufficient sums to earn its contemplated interest in the Saskatchewan and Manitoba permits and there can be no assurance that the exploration will be successful. To date no minerals of commercial significance have been found. Furthermore, there is little, if any, market for the sale of uranium ore so that if commercially significant uranium deposits should be found there would be no assurance of profitable mining operations.

During the twelve month period ended March 31, 1969, Sunlite expended approximately \$172,829 for the exploration of its mineral properties in Canada, including the expenditures outlined above.

In July, 1968, Sunlite Nevada (a subsidiary of Sunlite) acquired an option, shared equally with another company, to purchase a previously worked silver-gold mine located near Boise, Idaho. Rehabilitation and limited exploration to date have suggested doubt that this property can be made commercially productive, and Sunlite is in the process of abandoning it.

A similar option to purchase 60% of a silver-gold-lead property near Pioche, Nevada, also shared with another company, has been exercised by Sunlite Nevada, although it has not been established that a commercially significant reserve exists in this property. Intermittent operations at this mine began approximately 100 years ago, and the mine was last operated in 1957. Sunlite does not know the amount of past production or the causes of termination of operations. Currently joint expenditures are running at the rate of approximately \$12,000 per month, of which Sunlite's share is half. Sunlite is unable to estimate at the present time what additional expenditures if any will be made in the further exploration or development of this property.

To March 31, 1969, Sunlite expended approximately \$87,611 for the exploration of its mineral properties in the United States.





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BUSINESS OF DEL NORTE

General

Del Norte Oil Ltd., an Alberta Corporation, was incorporated under the name of Northern Petroleum Consultants Ltd. on March 7, 1962. Del Norte is actively engaged in the exploration, acquisition, development, and production of oil and natural gas properties located in Alberta and other parts of Western Canada.

In addition to John H. Van de Venter, President of Del Norte, who has been engaged in the business of oil and gas exploration and development for the past twenty-two years, Del Norte has a staff of two full-time geologists, F. F. Gray and J. R. Kassube, and one part-time geologist. The two full-time geologists have been employed by Del Norte (formerly Northern Petroleum Consultants Ltd.) since 1962 in the exploration and development of oil and gas properties. Messrs. Van de Venter, Gray and Kassube have worked together in Canada since 1956. As of July 1, 1969, Del Norte employed a landman and an engineer on a full-time basis.

Oil and Gas Activities

The nature, location and extent of Del Norte's oil and gas property as of June 13, 1969 are summarized in the following table:

Gross Overriding Royalty Interest Acreage(7)	Acreage		Underlying Interest Held Pursuant to (1)		
	Gross(2)	Net(3)	Reservation(4)	Permit(5)	Lease(6)
Alberta and Saskatchewan	1,662	—	—	—	1,662
Non-Producing Working Interest Acreage					
CARRIED INTERESTS(8)					
Alberta	8,301	397	—	—	8,301
British Columbia	18,552	412	—	—	18,552
Saskatchewan	20,822	1,357	—	—	20,822
NORMAL WORKING INTERESTS(9)					
Alberta	325,227	42,166	177,018	—	148,209
British Columbia	14,442	361	—	—	14,442
Saskatchewan	80,348	25,619	—	68,480	11,868
Arctic	533,924	106,785	—	533,924	—
Producing Working Interest Acreage(10)					
Alberta	32,480	989	—	—	32,480

(1) See Note 1 to table on Pages 10-11.

(2) See Note 2 to table on Pages 10-11.

(3) See Note 3 to table on Pages 10-11.

(4) See Note 4 to table on Pages 10-11.

(5) See Note 5 to table on Pages 10-11.

(6) See Note 6 to table on Pages 10-11.

(7) See Note 7 to table on Pages 10-11.

(8) "Carried Interest" is a working interest where exploration and development costs are expended on behalf of the carried party by the carrying party generally in return for services by the carried party. In most instances, exploration and development costs are reimbursed to the carrying party from a portion of the carried party's share of production revenue.

(9) See Note 8 to table on Pages 10-11.

(10) See Note 9 to table on Pages 10-11.

Reservations and permits, and leases, in order to be kept in good standing generally require certain minimum expenditure as work obligations. Reservations generally require the expenditures from the second year on of from 7¢ to 40¢ per acre on a sliding scale over a maximum period of five years. Permits generally require the expenditure of from 5¢ to 50¢ per acre for periods ranging up to twelve years, depending on the location of the property and the length of time the permit has been held. Leases generally require rental obligations, of \$1.00 per acre over the term of the lease.

Exploration and Development

As indicated, Del Norte's exploration effort has been focused primarily on Alberta and to a lesser extent other areas located in Western Canada. Through geological evaluation, Del Norte attempts to acquire promising exploratory properties. In most instances, Del Norte will spread the risk of exploration by bringing in other partners on a working interest basis.

Del Norte is party to an agreement with Canex Aerial Exploration Ltd., a subsidiary of Placer Development Ltd., expiring June 30, 1971, pursuant to which, Canex has the right to pay 62% of all

land acquisition and oil and gas exploration costs incurred by Del Norte up until the completion or abandonment of the first well on any given prospect. Del Norte will pay 38% of such costs. After the completion or abandonment of the first well on any prospect, Canex will pay 55% of all costs and Del Norte will pay 45%. Under the contract, Canex will receive a 55% interest in any land acquisitions or exploration undertaken and Del Norte will receive a 45% interest. In addition, Canex will pay 55% of all annual overhead and expenses of Del Norte up to a total annual overhead and expense of \$160,000. The above agreement covers only land acquisitions and oil and gas exploration in Western Canada and will continue to bind the Amalgamated Company after the amalgamation. This means that Canex may, if it chooses to, participate in any proposed land acquisitions or new exploration of oil and gas properties in Western Canada undertaken by the Amalgamated Company.

On April 15, 1969, Sunlite and Del Norte entered into a joint venture agreement under which Del Norte's 45% participation in prospects explored under the agreement with Canex will be taken over in part by Sunlite.

During the twelve months ended June 30, 1969, Del Norte drilled nine gross wells, of which six were completed as producing wells and three were dry holes. Del Norte's net interest in the six producing wells averages 5.1% per well. During the fiscal year ended March 31, 1969, Del Norte spent for its own account approximately \$110,000 on land acquisition, exploration and development.

During the five years prior to the Canex contract, Del Norte spent most of its time, energies, and resources exploring and developing a part of the Hamilton Lake Oil Field in East Central Alberta on behalf of itself and its exploration partners. During such period Del Norte drilled and initiated secondary recovery operations on approximately 130 gross wells (3.2 net wells). On June 1, 1968, Del Norte resigned as operator of the Hamilton Lake Field in order to devote full time to exploration.

Reserves

A report of James A. Lewis Engineering Co. Ltd. is included below and describes and evaluates the proved reserves of the producing properties in which Del Norte holds a working interest or a gross overriding royalty interest.

June 25, 1969
File: 9465

Del Norte Oil Ltd.
North Canadian Oil Building
640 Seventh Avenue S. W.
Calgary 2, Alberta

Gentlemen:

In accordance with your instructions, we have prepared an estimate of the proved oil, gas and natural gas liquids reserves contained in certain properties owned by Del Norte Oil Ltd., hereinafter referred to as Del Norte. The effective date of this estimate is June 1, 1969.

A detailed listing of interests held by Del Norte in the properties assigned proved reserves is entered in Table 2 together with pertinent economic data.

The term net reserves as used herein means those crude oil and gas reserves owned by Del Norte after deduction of all applicable royalties. Total proved net reserves owned by Del Norte as of June 1,

1969 have been estimated to be 756,000 barrels of oil, 645,000 Mscf of gas and 36,000 barrels of natural gas liquids. A detailed listing by property of ultimate recoveries and gross and net reserves is presented in Table 1.

Del Norte's principal oil reserves, which amount to eighty-five percent of total proved reserves, are attributable to its participation in a waterflood program in the Hamilton Lake (Provost) field. The Hamilton Lake acreage is currently being subjected to water injection operations in order to enhance ultimate oil recovery. Although performance under waterflood operations in the Del Norte area is limited, several producing wells are now exhibiting both oil productivity and gas-oil ratio response to water injection. The adjacent Chevron operated waterflood is currently in a more advanced stage and has exhibited excellent performance following inception of the water injection scheme in 1962. All reserves assigned to the Amber area are currently classified as non-producing but are expected to be on stream early in 1970.

All of the gas and natural gas liquids reserves are non-producing at this time. Well 14-12-120-8 W.6M in the Amber area is a shut-in gas well. The remainder of the gas reserves are in zones behind pipe in wells capable of oil production from deeper zones. There are no commitments for delivery of these gas reserves in the near future, however, test data indicate these wells to have commercial deliverability as soon as adequate regional reserves are developed to support the installation of a pipeline and gathering system.

In preparation of this report we have had access to the records of Del Norte in Calgary, Alberta and conferred freely with officers and employees of the company. It was not necessary to conduct field examinations of property conditions and the character of ownership and factual data furnished by Del Norte have been accepted as represented.

We consent to the use of this report or any parts thereof and to the use of our name under the headings of "Business of Del Norte" and "Experts" contained in the Registration Statement of Sunlite Oil Company Limited to be filed with the Securities Exchange Commission, Washington, D.C.

Very truly yours,

JAMES A. LEWIS ENGINEERING CO. LTD.

J. E. MICHAUD, P. ENG.
President

SLO:jam

Table 1

SUMMARY OF PRODUCTION DATA AND RESERVE ESTIMATES

PROVED RESERVES

DEL NORTE OIL LTD.

June 1, 1969

<u>Field and Lease</u>	<u>Gross Ultimate Recovery, Stb/Mscf</u>	<u>Cumulative Production to 6-1-69, Stb/Mscf</u>	<u>Gross Reserves, Stb/Mscf</u>	<u>Del Norte Net Reserves, Stb/Mscf</u>	<u>Reserve Analysis Method</u>
OIL					
ALBERTA					
Amber Area					
4- 8-119-7 W. 6M	645,000	—	645,000	13,800	V
13-32-119-7 W. 6M	2,325,000	—	2,325,000	69,800	V
	2,970,000	—	2,970,000	83,600	
Bruce Lake (Mitsue)					
10-25-68-3 W. 5M	400,000	7,000	393,000	26,000	V
Hamilton Lake (Provost)					
Original Economic Area in Present Unit ..	9,457,000	93,000	9,364,000	157,300	V-WF
Remaining Area in Present Unit	8,582,000	21,000	8,561,000	133,600	V-WF
Non-Unit Area	21,585,000	10,000	21,575,000	355,500	V-WF
	39,624,000	124,000	39,500,000	646,400	
GRAND TOTAL OIL	42,994,000	131,000	42,863,000	756,000	
GAS					
ALBERTA					
Amber Area					
4- 8-119-7 W. 6M	5,300,000	—	5,300,000	116,000	V
13-32-119-7 W. 6M	10,300,000	—	10,300,000	338,000	V
14-12-120-8 W. 6M	4,000,000	—	4,000,000	66,000	V
	19,600,000	—	19,600,000	520,000	
Bruce Lake (Mitsue)					
11-17-68-2 W. 5M	1,900,000	—	1,900,000	125,000	V
GRAND TOTAL GAS	21,500,000	—	21,500,000	645,000	
NATURAL GAS LIQUIDS					
ALBERTA					
Amber Area					
13-32-119-7 W. 6M	1,100,000	—	1,100,000	36,000	V

Table 2

**GENERAL PROPERTY IDENTIFICATION AND BASIC ECONOMIC FACTORS
PROPERTIES ASSIGNED RESERVES**

DEL NORTE OIL LTD.

June 1, 1969

Field and Lease	Type of Reserve Assigned	Formation Assigned Reserves	Number of Gross Wells	Working Interest, Per Cent	Royalties Payable			Lease Operating Costs		
					Basic, Per Cent	Over-riding, Per Cent	Net Crude Price, \$/Barrel	100 Per Cent		Del Norte Share, \$/Year
								\$/Year	\$/Well/Mo.	
ALBERTA										
Amber Area			1	2.4975	Crown	—				
4- 8-119-7 W. 6M(1) ...	Gas Gas Oil	Muskeg Zama Keg River					\$ — — 2.20(2)	\$ — — 6,000(2)	\$ — — 500(2)	\$ — — 100(2)
13-32-119-7 W. 6M(1) ...	Gas & NGL's Oil	Zama Keg River	1	(3)	(3)	(3)	— 2.20(2)	— 6,000(2)	— 500(2)	— 200(2)
14-12-120-8 W. 6M(1) ...	Gas	Muskeg	1	1.875	Crown	—	—	—	—	—
Bruce Lake (Mitsue)										
11-17- 68-2 W. 5M(1) ...	Gas	Colony	1	7.5	Crown	—	—	—	—	—
10-25-68-3 W. 5M	Oil	Gilwood	1	7.5	Crown	—	2.68	4,200	350	300
Hamilton Lake (Provost)										
Original Economic Area in Present Unit	Oil	Viking	31	(4)	(4)	(4)				
Remaining Area in Present Unit	Oil	Viking	28				2.21	83,700	225	500
Non-Unit Area	Oil	Viking	57				2.21	153,900	225	1,000

NOTES: (1) New well not yet on production.

(2) Crude price and operating costs estimated.

(3) 3.75% W.I. until \$23,000 is recovered by Del Norte interest, then 3.00% W.I. until \$80,000 is recovered by a 10% W.I., then 3.75% W.I. thereafter.

(4) Original Economic Area in Present Unit:

0.221774% N.P.I. reverting to 0.887095% N.P.I. after payout by Mosbacher interest; subject to C.P.R. (20%) royalty

0.181451% N.P.I. reverting to 0.725805% N.P.I. after payout by Mosbacher interest; subject to Crown royalty

0.080645% N.P.I. reverting to 0.322580% N.P.I. after payout by Mosbacher interest; subject to Crown + 10% royalty

0.040323% N.P.I. reverting to 0.16290% N.P.I. after payout by Mosbacher interest; subject to Crown + 1/100 (5-12.5) % royalty

0.020161% N.P.I. reverting to 0.080645% N.P.I. after payout by Mosbacher interest; subject to Crown + 6.25% royalty

0.544354% N.P.I. reverting to 2.177415% N.P.I. after payout by Mosbacher interest

Remaining Area in Present Unit:

0.167409% N.P.I. reverting to 0.602674% N.P.I. after payout by Mosbacher interest; subject to Crown royalty

0.156249% N.P.I. reverting to 0.562496% N.P.I. after payout by Mosbacher interest; subject to Crown + 1/100 (5-12.5) % royalty

0.133927% N.P.I. reverting to 0.482139% N.P.I. after payout by Mosbacher interest; subject to C.P.R. (20%) royalty

0.066964% N.P.I. reverting to 0.241070% N.P.I. after payout by Mosbacher interest; subject to Crown + 10% royalty

0.044643% N.P.I. reverting to 0.160713% N.P.I. after payout by Mosbacher interest; subject to Crown + 1/2 of 1/100 (5-12.5) % royalty

0.022321% N.P.I. reverting to 0.080356% N.P.I. after payout by Mosbacher interest; subject to Dominion Crown (12.5%) royalty

0.022321% N.P.I. reverting to 0.080356% N.P.I. after payout by Mosbacher interest; subject to Crown + 2% royalty

0.613834% N.P.I. reverting to 2.209804% N.P.I. after payout by Mosbacher interest

Non-Unit Area:

0.303819% N.P.I. reverting to 1.093750% N.P.I. after payout by Mosbacher interest; subject to Crown + 1/100 (5-12.5) % royalty

0.269097% N.P.I. reverting to 0.968750% N.P.I. after payout by Mosbacher interest; subject to C.P.R. (20%) royalty

0.026042% N.P.I. reverting to 0.093750% N.P.I. after payout by Mosbacher interest; subject to H.B.C. (12-1/2%) + 10% royalty

0.017361% N.P.I. reverting to 0.062500% N.P.I. after payout by Mosbacher interest; subject to Crown royalty

0.008681% N.P.I. reverting to 0.031250% N.P.I. after payout by Mosbacher interest; subject to Crown + 2% royalty

0.625000% N.P.I. reverting to 2.250000% N.P.I. after payout by Mosbacher interest.

COMPETITION AND REGULATION

The oil and gas industry is highly competitive both in the search for and acquisition of producing properties. Sunlite's and Del Norte's main competitors in these endeavors include major and independent oil and gas concerns and individual producers and operators, most of whom are substantially larger and possess far greater financial resources and personnel than Sunlite and/or Del Norte.

The jurisdictions in which Sunlite and Del Norte have oil and gas interests have statutory provisions regulating the production and sale of crude oil and natural gas. The regulations also require permits for the drilling of wells, the spacing of wells, the prevention of wasting of oil and gas resources and other matters, including, in Alberta, the proration of production to market demand in accordance with a formula established by the Alberta Oil and Gas Conversation Board.

The exploration for and development of commercially significant mineral deposits is also a highly competitive field. Sunlite and Del Norte are insignificant factors in both the oil and mineral industries.

MANAGEMENT OF THE AMALGAMATED COMPANY

The persons designated in the Memorandum of Agreement to be directors of the Amalgamated Company when the amalgamation becomes effective and until the election at the next annual meeting and until the qualification of their respective successors are: Donald K. Russell, Edwin L. Kennedy, William Walter Siebens, Francis L. Croteau, John H. Van de Venter.

Certain information with respect to these persons is set forth below:

<u>Name</u>	<u>Principal Occupation</u>	<u>Year in which first became Director of Sunlite(S) or of Del Norte(D)</u>	<u>Equity Securities Beneficially Owned as of June 21, 1969</u>	
			<u>Sunlite Common Stock</u>	<u>Del Norte Common Stock</u>
Donald K. Russell	Associate of Lehman Brothers	S-1966	60,000	—
Edwin L. Kennedy	Partner of Lehman Brothers	S-1966	40,000	—
William Walter Siebens	President of Siebens Oil & Gas Ltd.	S-1966	10,000	—
Francis L. Croteau	Geological and Engineering Consultant	S-1968	100	—
John H. Van de Venter	President of Del Norte	D-1962	—	25

OPERATION FOLLOWING THE AMALGAMATION

It is anticipated that the principal executive officers of the Amalgamated Company after the effective date of the amalgamation will be as follows:

<u>Name</u>	<u>Principal Occupation</u>
Donald K. Russell	President and Director
John H. Van de Venter	Executive Vice President and Director
J. Stewart Fisher	Secretary-Treasurer
Edwin L. Kennedy	Director
William Walter Siebens	Director
Francis L. Croteau	Director

The principal occupations during the past five years of each executive officer and director, of whom only John H. Van de Venter will be a full-time employee of the Amalgamated Company, are as follows:

Donald K. Russell has been an associate of Lehman Brothers, investment bankers, since September 1, 1965, and prior thereto he was a petroleum analyst for the Lehman Corporation and consultant to Lehman Brothers.

John H. Van de Venter has been engaged in the business of oil and gas exploration and development for the past 22 years. Since 1962 he has served as President of Del Norte.

J. Stewart Fisher, Secretary-Treasurer, is a partner in the firm of MacKimmie, Matthews, Wood, Phillips & Smith, Barristers and Solicitors, and has been with that firm since 1961.

Edwin L. Kennedy during the past five years has been a partner of Lehman Brothers, investment bankers.

William W. Siebens is and has been active in the oil and gas industry in Western Canada for more than 10 years. He has been for the past three years President of Siebens Oil & Gas Ltd. and prior thereto was President and General Manager of Siebens Leaseholds Ltd.

Francis Leslie Croteau for the past five years has acted as a geological and engineering consultant in the oil, gas and mining industries. He is executive vice president and a director of Trans-Canada Oil, Ltd. He is affiliated as an officer and/or director in several other companies, principally engaged in mineral activities similar to those of the Amalgamated Company.

Remuneration

For the fiscal year ended September 30, 1968, the aggregate direct remuneration paid by Sunlite to all of its officers and directors as a group (six persons) totalled \$18,000. Effective November 1, 1968, the salaries of Sunlite's President and Vice President were increased so that assuming the present rate of remuneration is paid by the Amalgamated Company the estimated aggregate direct remuneration for all officers and directors as a group for the fiscal year ended September 30, 1969 will be \$27,750.

For the fiscal year ended March 31, 1969, the aggregate direct remuneration paid by Del Norte to all of its officers and directors as a group (three persons) totalled \$46,575, including \$11,775 paid through a management service company employed by Del Norte. It is estimated that the annualized aggregate direct remuneration for these officers and directors of Del Norte as a group assuming effectiveness of the Amalgamation will be \$67,500 for the next fiscal year.

STOCK OPTIONS

On September 30, 1967, Sunlite entered into an agreement with Robert T. M. Vanderham, its vice-president, pursuant to which, as amended, in return for his services as an officer and employee, Mr. Vanderham was granted an option to purchase a total of 10,000 shares of Sunlite's Common Stock at an option price of \$1.00 per share. Mr. Vanderham exercised the option to acquire 2,500 shares on April 1, 1968, 2,500 shares on October 1, 1968, and 2,500 shares on April 1, 1969, such shares having an aggregate market value as determined by the closing quote on the Vancouver Stock Exchange on such dates of \$5,375, \$16,250, and \$30,625, respectively. The option is exercisable as to the remaining 2,500 shares on October 1, 1969. Mr. Vanderham's options will be assumed by the Amalgamated Company. If the option is not exercised to the extent of 2,500 shares it will expire as to the number of shares not taken. During the period September 30, 1967, the date of the granting of such options and June 19, 1969, the high and the low price of Sunlite's Common Stock on the Vancouver Stock Exchange was \$15.50 and \$.95 respectively. No other options have been granted to or exercised by any other director or officer of Sunlite within the past five years.

Pursuant to employment agreements entered into in connection with the Amalgamation, Messrs. Van de Venter, Kassube and Gray, shareholders and officers of Del Norte, will receive incentive options to purchase an aggregate of 40,000 shares of the Common Stock of the Amalgamated Company. The options will be exercisable as to one-half thereof within one year of the "Closing Date" (as used in the Memorandum of Agreement), and as to the remaining one-half during two six-month intervals commencing one year after said Closing Date at a price to be fixed at or immediately prior to the Closing Date and to be 90% of the then market price of Sunlite's shares as quoted on the Vancouver Stock Exchange. Any options not exercised within the respective specified periods will expire.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information as to the holders of the Common Stock of Sunlite and of Del Norte by all directors and officers of each such corporation as a group and by all persons owning of record or to the knowledge of Sunlite or Del Norte, beneficially, more than 10% of the Common Stock of the respective companies. The table also sets forth information as to the holdings of the Common Stock of the Amalgamated Company based upon the rate of exchange set forth under the heading "Proposed Amalgamation" by all directors and officers as a group and by all persons who will own of record or, to the knowledge of Sunlite or Del Norte, beneficially, more than 10% of the Common Stock of the Amalgamated Company. The statements in the table as to the shares owned are based upon information furnished to Sunlite and Del Norte by the persons named or referred to therein:

Name of Individual or Group	Shares Beneficially Owned on June 21, 1969				Shares to be Beneficially Owned after the Amalgamation	
	No. of Sunlite Shares	Percentage of Class	No. of Del Norte Shares	Percentage of Class	No. of Shares	Percentage of Class
All directors and officers of Sunlite as a group (6 persons)	115,200	5.4%	—	—	110,100	5.1
All directors and officers of Del Norte as a group (5 persons)	—	—	125	100%	78,000	3.7

INTEREST IN CERTAIN TRANSACTIONS

Sunlite

Pursuant to Sunlite's public offering in February, 1967 (distribution in Canada only) Richardson Securities of Canada, a Canadian partnership, received \$150,000 as compensation for underwriting the offering. Olin E. Buker, Resident Manager of Richardson Securities' Calgary office, was a Director of Sunlite at the time.

In November 1966, Sunlite purchased certain gross overriding royalty interests from Siebens Oil & Gas Ltd. for \$281,500 in cash. Subsequently, William W. Siebens, President, Director and a majority stockholder in Siebens Oil & Gas Ltd., was elected a Director of Sunlite. In 1968 Sunlite, along with Siebens Oil & Gas Ltd. and another company, acquired and disposed of Crown permits covering approximately 2.8 million acres of offshore lands in the Beauford Sea. In connection with Sunlite's filing of application for certain Alaskan leases, Siebens Oil & Gas Ltd. may receive as compensation, principally for geological services, a 2½% overriding royalty interest in leases when and if issued.

DESCRIPTION OF COMMON STOCK

The Amalgamated Company's authorized capital stock will consist of 3,000,000 shares of Common Stock, without nominal or par value. The issued and outstanding shares upon completion of the amalgamation will be fully paid and non-assessable and each share will entitle the holder thereof to one vote on all matters submitted to the stockholders. In the event of liquidation or dissolution, the holders of the Common Stock will share ratably in any assets of the Amalgamated Company. The Common Stock will not be subject to redemption and will have no conversion rights. There are no pre-emptive rights to subscribe for any shares of the Amalgamated Company's Common Stock. Owners of the Common Stock are entitled to participate equally in such dividends as may be declared by the Board of Directors of the Amalgamated Company out of funds legally available for the payment thereof. At the present time, the proposed Board of Directors of the Amalgamated Company have no intention of declaring dividends. It is expected that the Amalgamated Company's Common Stock will be listed for trading on the Vancouver Stock Exchange on the effective date of the amalgamation and that it will also be traded in the over-the-counter market in the United States.

The shares of the Common Stock do not have cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors can elect all of the directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any person or persons to the Board of Directors.

The Amalgamated Company will furnish annual reports containing certified financial statements and will also furnish semi-annual unaudited financial statements to its stockholders.

The Canadian transfer agent and registrar of the Amalgamated Company's Common Stock will be the Canada Trust Company at its offices in Calgary, Vancouver, Winnipeg and Toronto. The United States transfer agent and registrar is the First National City Bank, New York, New York.

American Taxes

MISCELLANEOUS

Income Taxes. Neither Sunlite nor Del Norte engages in business in the United States nor does either have U. S. source income. Accordingly, neither files U. S. income tax returns. However, both corporations have U. S. shareholders, and, in order to have a tax-free reorganization for U. S. tax purposes, an advance ruling has been received under Section 367 of the Internal Revenue Code to the effect that the reorganization is not in pursuance of a plan having as one of its principle purposes the avoidance of U. S. income taxes.

Sunlite and Del Norte have received a tax ruling from the Internal Revenue Service to the effect that the amalgamation of Sunlite and Del Norte will qualify as a tax-free reorganization for U. S. income tax purposes under Sections 367 and 368(a) (1) (C) of the Internal Revenue Code. For U. S. tax purposes, no gain or loss will be recognized by Sunlite, Del Norte, or the shareholders of either corporation as a result of the amalgamation; the tax basis of the stock of the Amalgamated Company received by the shareholders of Sunlite and Del Norte will be the same as the tax basis of their present stock in Sunlite or Del Norte; the holding period of the stock of the Amalgamated Company in the hands of the shareholders will include the period during which they held Sunlite or Del Norte stock; the tax bases of the properties acquired by the Amalgamated Company will be the same as they were in the hands of Sunlite and Del Norte immediately prior to the amalgamation; and the holding period of the properties acquired by the Amalgamated Company will include the periods during which such properties were held by Sunlite and Del Norte.

Interest Equalization Tax. In general, an interest equalization tax is imposed on each acquisition by a United States person of stock of a foreign issuer. However, if the amalgamation falls within Section 368(a) (1) (C) of the Internal Revenue Code, the acquisition of the shares of the Amalgamated Company by the shareholders of Sunlite and Del Norte as a result of the amalgamation will not be subject to interest equalization tax by reason of Sections 4914(a) (4) and 4912(b) (4). As noted above, a ruling has been received that the reorganization qualifies as a tax-free reorganization under Section 368(a) (1) (C).

Canadian Taxes

Income Taxes. In the event that the Amalgamated Company declares dividends payable to non-residents of Canada, a Canadian income tax on such dividends will be withheld at a rate not exceeding 15%. Stockholders who are United States citizens or residents and are subject to United States income tax on the dividends are generally entitled, subject to certain limitations, to a credit or deduction for United States income tax purposes with respect to the Canadian income tax withheld subject to the limitations prescribed in the United States Internal Revenue Code.

Estate Taxes. Since the Amalgamated Company is incorporated in Canada, estate tax with respect to its shares will be imposed by the Government of Canada at the time of death of the owner thereof, even if such owner is not domiciled in Canada and the Stock Certificates are not physically situated in Canada. In the case of an owner of shares who at his death is a citizen of the United States or dies domiciled in the United States, the rate of Canadian estate tax in respect of the shares will not exceed 15% under the estate tax treaty between the United States and Canada. Moreover, under such treaty there will be exempt from Canadian estate tax all property situated in Canada where the aggregate value thereof does not exceed \$15,000 and if the aggregate value of such property exceeds \$15,000, the amount of the Canadian estate tax will not be greater than the amount by which such aggregate value exceeds \$15,000. Any Canadian estate tax paid in respect of the shares upon the death of an owner who was a citizen or resident of the United States may be taken as a credit against the United States Federal estate tax imposed upon his estate, subject to the limitations prescribed in the United States Internal Revenue Code.

FINANCIAL STATEMENTS

OPINION OF INDEPENDENT ACCOUNTANTS

To the Directors
Sunlite Oil Company Limited

We have examined the consolidated balance sheet of Sunlite Oil Company Limited and subsidiary companies as at September 30, 1968 and the consolidated statements of operations and retained earnings (deficit) for the three years ended December 31, 1966, the nine months ended September 30, 1967 and the year ended September 30, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1968 and the results of their operations for the periods indicated, in accordance with generally accepted accounting principles consistently applied.

RIDDELL, STEAD & Co.
Chartered Accountants

Calgary, Alberta
June 20, 1969

OPINION OF INDEPENDENT ACCOUNTANTS

To the Directors
Del Norte Oil Ltd.

We have examined the balance sheet of Del Norte Oil Ltd. (formerly Northern Petroleum Consultants Ltd.) as at March 31, 1969, and the statements of operations and retained earnings for the five years ended March 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1969 and the results of its operations for the five years then ended, in accordance with generally accepted accounting principles consistently applied.

WINSPEAR, HIGGINS, STEVENSON AND DOANE
Chartered Accountants

Calgary, Alberta
June 2, 1969

**SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET

(Canadian Dollars)

ASSETS			As at September 30, 1968	As at March 31, 1969
				(Unaudited)
CURRENT ASSETS				
Cash		\$	819,199	\$7,244,472
Accounts receivable			811,666	152,574
			<u>1,630,865</u>	<u>7,397,046</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 1)				
Petroleum and natural gas leases and rights together with development thereon				
Producing			269,895	252,190
Accumulated depreciation, depletion and amortization			109,726	114,866
			<u>160,169</u>	<u>137,324</u>
Non-producing				
Royalty rights			468,550	458,970
Leases and lease applications			47,459	287,520
Work in progress			—	52,575
Other mineral rights together with development thereon			129,476	300,627
Furniture and fixtures, less accumulated depreciation			607	—
			<u>806,261</u>	<u>1,237,016</u>
OTHER ASSETS				
Deposits refundable on fulfillment of exploration commitments			205,258	255,654
			<u>\$2,642,384</u>	<u>\$8,889,716</u>
LIABILITIES				
CURRENT LIABILITIES				
Bank indebtedness		\$	245,176	\$ 225,000
Accounts payable			52,406	265,656
Income taxes			148,006	576,111
CONTINGENT LIABILITY (Note 5)				
			<u>445,588</u>	<u>1,066,767</u>
SHAREHOLDERS' EQUITY				
CAPITAL STOCK (Note 2)				
Authorized 3,000,000 shares without nominal or par value				
Issued 1,454,600 shares (1969—2,117,100 shares)			1,391,378	6,623,055
RETAINED EARNINGS			805,418	1,199,894
			<u>2,196,796</u>	<u>7,822,949</u>
			<u>\$2,642,384</u>	<u>\$8,889,716</u>

The accompanying notes are an integral part of this financial statement.

**SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

(Canadian Dollars)

	Year Ended December 31,			Nine Months Ended September 30, 1967	Year Ended September 30, 1968	Six Months Ended March 31,	
	1964	1965	1966			1968	1969
						(Unaudited)	(Unaudited)
RETAINED EARNINGS (DEFICIT)							
beginning of period	\$17,674	\$26,790	\$39,064	\$34,145	\$ (3,665)	\$(3,665)	\$ 805,419
Earnings (loss) for the period	<u>9,116</u>	<u>12,274</u>	<u>(4,919)</u>	<u>(37,810)</u>	<u>809,083</u>	<u>(37,016)</u>	<u>394,475</u>
RETAINED EARNINGS (DEFICIT)							
end of period	<u>\$26,790</u>	<u>\$39,064</u>	<u>\$34,145</u>	<u>\$(3,665)</u>	<u>\$805,418</u>	<u>\$(40,681)</u>	<u>\$1,199,894</u>

The accompanying notes are an integral part of this financial statement.

SUNLITE OIL COMPANY LIMITED AND SUBSIDIARY COMPANIES

(information subsequent to September 30, 1968 is unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Canadian Dollars)

NOTE 1 ACCOUNTING POLICIES

Petroleum and Natural Gas Properties

The acquisition costs of gross overriding royalty and other interests are capitalized and charged to income if and when subsequently surrendered or abandoned. The costs of producing gross overriding royalty and other producing interests are amortized using the unit of production method based upon estimated recoverable quantities of oil and gas.

Carrying charges of both producing and non-producing properties are charged to income as incurred. Exploration expenditures are capitalized and charged to income when determined to be unsuccessful.

The costs of drilling a productive well, including the costs of production equipment, are capitalized and are also amortized using the unit of production method. The cost of an unproductive well is charged to income when determined to be dry.

Other Mineral Rights

The costs of acquisition, evaluation and development of mineral properties are capitalized. Such costs will be amortized using the unit of production method or, if the properties prove to be uneconomical, will be charged to income.

General

Accumulated depreciation, depletion and amortization relating to properties retired or otherwise disposed of are relieved from the accounts, and any resulting gain or loss is credited or charged to income.

Maintenance and repairs are charged to income when incurred and betterments which extend the serviceable life of properties are capitalized.

The financial statements include the accounts of the company's wholly-owned subsidiaries, Sunlite Nevada, Inc. and Sunlite Land Ltd., from the date of commencement of their operations in 1968.

NOTE 2 CAPITAL STOCK

(a) Changes in capital stock during the five years and the three months ended March 31, 1969 were as follows:

	Number of Shares	Consideration Received
Balance, January 1, 1964	5	\$ 1
1966		
Shares issued on stock split on basis of one additional share for each share held by existing shareholders	5	—
Shares issued under an offer to existing shareholders to subscribe for shares for a total consideration of \$200 cash and the cancellation of shareholders' loans of \$105,037 ..	199,990	105,237
Shares issued for cash	252,100	233,640
1967		
Shares issued for cash	1,000,000	1,050,000
1968		
Shares issued for cash on exercise of option (see Note 2(b))	2,500	2,500
Balance, September 30, 1968	1,454,600	1,391,378
1969		
Shares issued for cash on exercise of option (see Note 2(b))	2,500	2,500
Shares issued for cash	660,000	5,229,177
Balance, March 31, 1969	<u>2,117,100</u>	<u>\$6,623,055</u>

SUNLITE OIL COMPANY LIMITED AND SUBSIDIARY COMPANIES

(information subsequent to September 30, 1968 is unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in Canadian Dollars)

(b) By agreement dated September 30, 1967 (as amended January 15, 1968) the company granted an option to an officer to purchase 10,000 shares of the company's capital stock at \$1.00 per share, as follows:

Date at Which Option Becomes Exercisable	Number of Shares	Option Price		Average Market Price at September 30, 1967	
		Per Share	Total	Per Share	Total
April 1, 1968	2,500	\$1.00	\$2,500	\$.95	\$2,375
October 1, 1968	2,500	1.00	2,500	.95	2,375
April 1, 1969	2,500	1.00	2,500	.95	2,375
October 1, 1969	2,500	1.00	2,500	.95	2,375

The option is not exercisable on dates subsequent to those shown above as to shares in respect of which it might have been, but was not, exercised. On April 1 and October 1, 1968, the option was exercised as to 2,500 shares each. As at March 31, 1969, no shares were under option other than the remaining 5,000 shares referred to above.

No charges to income are made with respect to these options. When optioned shares are issued the total proceeds are credited to capital stock account.

NOTE 3 SUPPLEMENTARY PROFIT AND LOSS INFORMATION

The following amounts were charged directly to profit and loss (expense) during the undernoted periods:

	Year Ended December 31, 1966	Nine Months Ended September 30, 1967	Year Ended September 30, 1968	Six Months Ended March 31,	
				1968	1969
				(Unaudited)	(Unaudited)
Maintenance and repairs*	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation, depletion and amortization of fixed and intangible assets	8,595	6,096	10,283	4,913	5,100
Taxes, other than income taxes*	—	—	—	—	—
Management and service contract fees ...	—	—	—	—	—
Rent and royalties**	1,035	517	624	352	1,675

* The company makes no payments for repairs, maintenance or taxes except for such charges (included in operating expenses) incurred in the normal course of operating the company's producing properties. Such charges cannot readily be determined and accordingly the amounts have not been reported.

** The company pays no royalties other than petroleum and natural gas royalties which are based on sales and are recorded in the accounts as a deduction from sales. The amount shown under this caption comprises rentals paid on petroleum and natural gas and other mineral leases, and office rent.

NOTE 4 NOTES TO STATEMENTS OF OPERATIONS

Reference is made to the notes to consolidated statements of operations and pro-forma consolidated statement of operations appearing elsewhere in this proxy statement.

NOTE 5 CONTINGENT LIABILITY

As at March 31, 1969 Sunlite is contingently liable to the payee of a note in the principal amount of \$45,000 pursuant to the terms of an agreement with the maker of the note.

DEL NORTE OIL LTD.

BALANCE SHEET

As at March 31, 1969

(Canadian Dollars)

ASSETS

CURRENT ASSETS

Cash	\$ 97,614
Accounts receivable	594,023
Prepaid expense and deposits	1,565
	<hr/>
	693,202

REFUNDABLE TAX	566
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DRILLING DEPOSITS—net	6,537
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FIXED ASSETS AND DEFERRED CHARGES (Notes 1 and 2)	155,547
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\$855,852

LIABILITIES

CURRENT LIABILITIES

Bank loan (Note 2)	\$ 71,196
Accounts payable	689,899
Loan payable to the Government of Canada	26,696
	<hr/>
	787,791

SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized:

20,000 shares without par value

Issued and outstanding:

125 shares \$ 125

RETAINED EARNINGS	67,936	68,061
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\$855,852

The accompanying notes are an integral part of this financial statement.

DEL NORTE OIL LTD.
STATEMENT OF RETAINED EARNINGS
(Canadian Dollars)

	Year Ended March 31,				
	1965	1966	1967	1968	1969
RETAINED EARNINGS:					
Beginning of year	\$28,217	\$28,682	\$53,222	\$89,874	\$83,307
Earnings (loss) for the year	465	24,540	36,652	(6,567)	9,629
	<u>28,682</u>	<u>53,222</u>	<u>89,874</u>	<u>83,307</u>	<u>92,936</u>
Deduct: Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,000</u>
RETAINED EARNINGS:					
End of year	<u>\$28,682</u>	<u>\$53,222</u>	<u>\$89,874</u>	<u>\$83,307</u>	<u>\$67,936</u>

The accompanying notes are an integral part of this financial statement.

DEL NORTE OIL LTD.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 1969

(All amounts in Canadian Dollars)

NOTE 1 FIXED ASSETS AND DEFERRED CHARGES

Furniture and fixtures, at cost less accumulated depreciation \$3,336	\$ 2,465
Well equipment, at cost less accumulated depreciation \$341	796
Farm land, at cost	33,600
Petroleum and natural gas rights, at cost less bonus recovered	8,400
Exploration and development costs	110,286
	<u>\$155,547</u>

NOTE 2 BANK LOANS

The bank loans are secured by an assignment of accounts receivable and oil and gas properties.

NOTE 3

Drilling, exploration and lease acquisition costs of \$118,434 capitalized in the accounts remain to be carried forward and applied against future taxable income.

NOTE 4

On May 16, 1969 the company entered into an agreement with Sunlite Oil Company Limited under the terms of which the companies have agreed to amalgamate under the authority of Section 140a of The Companies Act (Alberta) contingent upon certain terms and conditions.

NOTE 5 ACCOUNTING POLICIES

Lease acquisition costs, exploration expenditures, carrying charges and drilling costs of producing properties are capitalized and will be amortized using the unit of production method.

The cost of an unproductive well is charged to income when determined to be dry. Lease acquisition costs, exploration expenditures and carrying charges of non-producing properties are charged to income on abandonment.

Well equipment is capitalized and depreciated at 30% on a declining balance basis.

NOTE 6 SUPPLEMENTARY PROFIT AND LOSS INFORMATION

The following amounts were charged directly to profit and loss (expense) during the undernoted years:

	Year Ended March 31,				
	1965	1966	1967	1968	1969
Maintenance and repairs(i)	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation, depletion and amortization of fixed and intangible assets	464	612	535	533	901
Taxes, other than income taxes	—	—	—	—	—
Management and service contract fees (ii)	—	—	—	—	20,358
Rents and royalties (iii)	3,180	3,530	3,730	3,480	3,400

(i) The company makes no payments for repairs, maintenance or taxes except for such charges (included in operating expenses) incurred in the normal course of operating the company's producing properties. Such charges cannot be readily determined and accordingly the amounts have not been reported.

(ii) Management and service contract fees are comprised of charges by an affiliated company for salaries and miscellaneous overhead for the period from January 1, 1969 to March 31, 1969.

(iii) The company has not paid any royalties. Rent is comprised entirely of office rent.

NOTE 7 NOTES TO STATEMENTS OF OPERATIONS

Reference is made to the notes to statement of operations and pro-forma consolidated statement of operations appearing elsewhere in this proxy statement.

MEMORANDUM OF AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 16th day of May A.D. 1969.

BETWEEN :

SUNLITE OIL COMPANY LIMITED, a body corporate, incorporated under the laws of the Province of Alberta (hereinafter called "Sunlite")

OF THE FIRST PART

— and —

DEL NORTE OIL LTD., a body corporate incorporated under the laws of the Province of Alberta (hereinafter called "Del Norte")

OF THE SECOND PART

— and —

J. H. VAN DE VENTER, F. F. GRAY, J. R. KASSUBE, S. P. SHOULDICE, all of the City of Calgary, in the Province of Alberta, and W. K. DAVIS, of Houston, Texas, (the "Shareholders")

OF THE THIRD PART

WHEREAS Sunlite was incorporated under the laws of the Province of Alberta by Memorandum of Association on the 2nd day of March, 1945, and by various certificates issued by the Registrar of Companies for the Province of Alberta, has an authorized capital of Three Million (3,000,000) shares without nominal or par value of which as at the date hereof Two Million, One Hundred and Nineteen Thousand, Six Hundred (2,119,600) shares are issued and outstanding as fully paid and non-assessable; and

WHEREAS Del Norte was incorporated by Memorandum of Association under the laws of the Province of Alberta on the 7th day of March, A.D. 1962, under the name Northern Petroleum Consultants Ltd. and changed its name to Del Norte Oil Ltd. on July 7, 1967, and its authorized capital as of the date hereof is Twenty Thousand (20,000) shares without nominal or par value of which as at the date hereof One Hundred and Twenty-Five (125) shares are issued and outstanding as fully paid and non-assessable; and

WHEREAS Sunlite and Del Norte have the same or similar objects; and

WHEREAS Sunlite and Del Norte have disclosed to each other their current financial positions and assets and liabilities and each has agreed to advise the other of any material change in such financial position and assets or liabilities occurring prior to the time of closing, as hereinafter provided for; and

WHEREAS under the authority conferred by Section 140a, of The Companies Act (Alberta), Sunlite and Del Norte desire and have agreed to amalgamate upon the terms and conditions hereinafter set out and continue as one company;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH AS FOLLOWS:—

1. IN THIS AGREEMENT the term "Amalgamated Company" shall mean the company continuing from the amalgamation of Sunlite and Del Norte.

2. SUBJECT TO THE FOLLOWING CONDITIONS, SUNLITE AND DEL NORTE do hereby agree to amalgamate under the provisions of Section 140a, of The Companies Act of the Province of Alberta, and to continue as one company upon the terms, provisions and conditions hereinafter set out :

- (a) The parties hereto shall have received from the Internal Revenue Service of the United States of America, favourable income and interest equalization tax rulings which are acceptable to the parties hereto with respect to the tax incidence of the amalgamation herein contemplated, including the tax incidence applicable to the Shareholders.
- (b) A Registration Statement on Form S-1 under the Securities Act of 1933 shall have become effective relating to a maximum of 40,000 shares of Sunlite's common stock which the Shareholders will receive at the closing.
- (c) All other conditions precedent to the closing of the amalgamation contemplated herein, as set forth in Clause 18 hereof, shall have been satisfied or waived by the party hereto entitled to the benefit of such condition precedent.

3. THE NAME OF THE AMALGAMATED COMPANY shall be Sunlite Oil Company Limited, or any variation thereof acceptable to the Registrar of Companies for the Province of Alberta.

4. THE OBJECTS OF THE AMALGAMATED COMPANY shall be as follows :

- (a) To carry on any one or more of the businesses of prospecting for, producing, dealing in, transporting, storing, distributing and manufacturing petroleums, oils, gases, ores and other minerals or mineral substances and the products, by-products or derivatives thereof, and to acquire, produce, hold, operate, use, dispose of and otherwise deal in and with the said substances and products and drilling, pumping, mining, milling, reducing, refining, smelting, separating, absorbing and other plants, machinery, equipment or apparatus for producing, manufacturing or otherwise working or turning to account such substances and products and for recovering, saving, transporting and marketing the same or any part thereof.
- (b) To carry on the business of contractors for drilling, opening, operating and working of oil wells, mines and mineral claims.
- (c) To acquire by purchase, lease, concession, license, exchange or otherwise, rights to or interests in lands, mines, wells, claims and places which may seem to the Company capable or possibly capable of affording a supply of petroleum, carbon oils, gas, ores or other mineral substances either absolutely or conditionally, and to hold, lease, develop, operate, manage, control, place under license, sell dispose of and otherwise deal with the same or any part thereof or any interest therein.
- (d) To acquire, underwrite, hold, sell on commission or otherwise dispose of and deal in and with the shares, stocks, bonds, obligations and securities issued or guaranteed by any Company, government, public body or authority ; to purchase, acquire, hold, sell, exchange, discount and deal in and with mortgages, agreements for sale, contracts, options, leases and other documents of title or securities or interests in or to land, real estate, mines, minerals, accounts, choses-in-action, personal property or chattels and to lend money on the security of any such documents, and to lend or advance money to its shareholders or to persons having dealings with the Com-

pany either with or without security as it shall see fit, and generally, to carry on all or any part of the businesses of a holding and investment company.

- (e) To carry on any one or more of the businesses of metallurgists, mining engineers, petroleum engineers and geologists, building and general contractors, farm, ranch, timber and mine owners, insurance, land, rental, general and financial agents, managers and brokers; to take part in the management, supervision or control of the business or operation of any company or undertaking and to guarantee and otherwise assist in the performance of contracts or obligations of any such company or undertaking and, generally, for any of the above purposes to carry on business as financiers or financial agents.
- (f) To consolidate or amalgamate with any other company or companies having objects altogether or in part similar to those herein enumerated or any of them, and to take shares therein.
- (g) To pay for any lands, businesses, properties, rights, claims, privileges, concessions or other assets acquired or agreed to be acquired by the Company and, generally, to satisfy any payment by or obligation of the Company, either wholly or in part, by the issue of shares, debentures or other securities of the Company credited as fully or partly paid.
- (h) To pay the expenses of and preliminary and incidental to the formation, establishment and registration of the Company.
- (i) To establish local offices and boards and to delegate to such boards any authority, power or rights which the Company may deem advisable.
- (j) To invest the monies of the Company not immediately required in such manner as the directors may from time to time determine.

5. THE AUTHORIZED CAPITAL of the Amalgamated Company shall be Three Million (3,000,000) shares without nominal or par value not to be issued for an aggregate consideration in excess of Nine Million (\$9,000,000) Dollars.

6. The registered office of the Amalgamated Company will be in the City of Calgary, in the Province of Alberta.

7. THE ARTICLES OF ASSOCIATION of Sunlite are adopted as the Articles of Association of the Amalgamated Company.

8. Each Shareholder severally represents and warrants that as of the date hereof such Shareholder is the lawful owner of the shares of Del Norte to be delivered by such Shareholder hereunder, free and clear of all liens, encumbrances and claims of every kind, except as contained in or resulting from this Agreement.

9. Del Norte and the Shareholders severally and jointly represent, warrant and agree as follows:

- (a) Del Norte is a corporation duly organized and validly existing in good standing under the laws of the Province of Alberta and is qualified to carry on business in the Provinces of British Columbia and Saskatchewan with the power to own its property and to carry on its business as now being conducted, and there are no other jurisdictions in which the character of the prop-

erties owned or the nature of the business conducted by it makes qualification as a foreign corporation necessary. The execution and delivery of this Agreement has been authorized by the Board of Directors of Del Norte. Neither the execution nor delivery of this Agreement nor the consummation of the amalgamation as contemplated herein, will violate any material contract, agreement, understanding, lease or plan to which Del Norte is a party or result in a default under, or cause acceleration or maturity of, any obligation or loan to which Del Norte is a party or violate any provision of Del Norte's Memorandum of Association or Articles of Association or any law, order or decree whatsoever.

- (b) Del Norte has no subsidiaries.
- (c) The authorized capital of Del Norte consists of 20,000 shares of common stock without nominal or par value, of which 125 shares are issued and outstanding. Such issued shares have been validly authorized and issued and are fully paid and non-assessable. Del Norte has no outstanding options, warrants or other rights or calls or commitments to purchase capital stock of Del Norte and there are no outstanding options, warrants, rights, calls, commitments, conversion rights, plans or other agreements of any character providing for the purchase of any authorized but unissued Del Norte shares. Prior to the closing date, Del Norte will not authorize any increase in the number of shares of its authorized capital stock or issue any options or rights to subscribe for or purchase shares of its capital stock.
- (d) The Shareholders shall have furnished Sunlite with complete financial statements of Del Norte as of March 31, 1969, prepared by an independent chartered accountant. Such financial statements will be true and correct and will have been prepared in accordance with generally accepted accounting principles consistently followed throughout the period involved. The financial statements fairly present the condition of Del Norte as of the date thereof, and reflect all known claims against and debts and liabilities (including adequate provision for all taxes) of Del Norte, fixed or contingent as at the dates thereof. Such financial statements do not contain any untrue statement of material fact or omit to state any material fact necessary in order to make the statements contained in this paragraph or therein not misleading.
- (e) Except for such claims, debts or liabilities as are reflected in the March 31, 1969 financial statements referred to in Paragraph 9 (d) above, Del Norte has no outstanding indebtedness and is not subject to any claims or liabilities. Without the prior written consent of Sunlite, Del Norte will not incur, prior to the closing date, any additional indebtedness for money borrowed or incur any liabilities in excess of \$5,000.
- (f) Del Norte has not since March 31, 1969, issued, or declared or paid any dividend on, or declared or made any distribution on, or authorized the creation or issuance of, or effected any split up or recapitalization of, any of its stock of any class or authorized or made any change in its Memorandum of Association or agreed to take any such action.
- (g) Del Norte has filed all requisite income tax returns and all other appropriate tax returns, required to be filed by it by the laws of the Province of Alberta or laws of Canada and has paid all taxes and assessments, (including interest or penalties) owed by it to the extent that such taxes and assessments have become payable. To the extent that such taxes and assessments and the subsequent tax liabilities have accrued but have not become payable, the full amounts thereof have been reflected as liabilities on its books. In addition, Del Norte has paid all taxes which would not require the filing of returns and which are required to be paid by it.

- (h) Del Norte has good and marketable title to all its real, personal and intangible property, including the real, personal and intangible property reflected in the balance sheet delivered pursuant to Paragraph 9 (d) above, with such changes in such real, personal and intangible property as have been made since such date, in the ordinary course of business. None of such real, personal and intangible property is subject
 - (i) to a contract of sale, except such as are sold by Del Norte in the ordinary course of business, or
 - (ii) to mortgages, pledges, liens, encumbrances, security interests or charges of any kind or character except as herein disclosed. All assets leased by Del Norte are in good operating condition and in a state of good maintenance and repair and are adequate and suitable for the purposes for which they are presently being used.
- (i) Del Norte holds under lease or has oil and gas exploration and development rights with respect to 946,852 gross acres and 144,230 net acres. In respect to the leases in which Del Norte is the Operator, each such lease is in full force and effect; all rent due to date on each such lease has been paid; in each case the lessee has been in peaceable possession since commencement of Del Norte's acquisition of such lease and is not in default thereunder and no waiver, indulgence or postponement of the lessee's obligations thereof have been granted by the lessor and there exists no event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any further event or condition would become a default under any such lease. In respect to the leases in which Del Norte is not the Operator, the foregoing stipulations are all true and correct to the best of the knowledge of Del Norte and the Shareholders.
- (j) Attached hereto as Exhibit "A" is a true and correct list of all policies of insurance, if any, of Del Norte, including the amounts thereof, in force as at the date hereof, and such policies are in full force and effect. Del Norte will continue to maintain all of such policies or renewals thereof in full force and effect up to and including the closing date.
- (k) There are no claims, actions, suits or proceedings pending or threatened against or affecting Del Norte at law or in equity, by or before any federal or provincial court or other governmental or administrative commission, board, bureau, agency or instrumentality of any government. Del Norte is not subject to any liability by reason of any violation of any order, rule or regulation of or default with respect to any tax return or any other return or report payable to or required to be filed with, any federal, provincial municipal or other governmental agency, department, commission, bureau or board. Del Norte is not, to the best of its Shareholders' knowledge, under investigation with respect to any charge concerning any violation of any provisions of federal or provincial statutes or administrative regulations which would materially adversely affect or impair the business or condition, financial or otherwise, of Del Norte.
- (l) Del Norte has no collective bargaining agreements with employees, executive employment agreements, executive compensation plans, employees' pension or retirement plans or pension trusts, employees' profit sharing or bonus or stock purchase plans or any other similar agreements or plans. Between the date hereof and the closing date, Del Norte will not without the prior written consent of Sunlite, make or agree to make any increase in the rate of wages, salaries, bonuses or other remuneration of any employee or employees, or become a party to any employment contract or arrangement with any of its officers or employees, other than contracts which are terminable at will or subject to termination of not more than one month's notice, or become a

party to any contract or arrangement with any officers or employees providing for bonuses or profit sharing payments, severance pay or retirement benefits.

- (m) Between the date hereof and the closing date, Del Norte will not, without the prior written consent of Sunlite, make any changes or modifications in any contracts, agreements or understandings, or incur any further obligations or surrender any rights thereunder, or make any further additions to its property or further purchases of equipment, except such changes or modifications each in an amount less than \$5,000, as are in the ordinary course of business or are necessary or appropriate to maintain their respective properties and equipment.
- (n) Del Norte is not subject to any order, judgment or decree with respect to its business or the condition of any of its assets or property, or to any provision in its Memorandum or Articles of Association, mortgage, lease, agreement, instrument, order, judgment or decree which would prevent the consummation of the transactions contemplated hereunder, or compliance by Del Norte or the Shareholders with the terms, conditions and provisions hereof.
- (o) All outstanding accounts receivable, if any, of Del Norte, as set forth in the above mentioned financial statements and in its books and records, are collectible except to the extent of the provision for bad debts, if any, set forth in the financial statements.
- (p) Since March 31, 1969 the business and properties of Del Norte have not been substantially adversely affected in any way as a result of any legislative or regulatory change, revocation of any license, concession or contract or right to do business, fire, explosion, accident, casualty, labour strife, flood, drought, riot, storm, condemnation or act of God or other public force or otherwise.
- (q) The copies of Del Norte's Memorandum and Articles of Association, as amended to date, heretofore delivered to Sunlite, and of all instruments, agreements or other documents that may have been delivered to Sunlite pursuant to the terms of this Agreement, are complete and correct.
- (r) Del Norte has maintained its books of account in the usual, regular and ordinary manner in accordance with generally accepted accounting principles applied on a consistent basis.
- (s) In the negotiations leading up to the transaction contemplated by this Agreement, neither the Shareholders nor Del Norte has retained or utilized the services of any broker or finder.
- (t) During the period from the date hereof to and including closing date, Del Norte will conduct its business solely in the usual and ordinary manner and will refrain from any transactions not in the ordinary course of business without prior written consent of Sunlite to such transaction having been obtained.
- (u) The disclosures made on Del Norte's part are complete and accurate with respect to all matters affecting the ability to operate the business of Del Norte. Any omissions and any inaccuracies in such disclosure whether considered alone or in the aggregate, do not adversely affect in any manner Del Norte's ability to operate the business of Del Norte.
- (v) To the knowledge of the Shareholders
 - (i) Del Norte holds all licenses, franchises, permits and other governmental authorizations necessary for all business presently carried on by Del Norte, and
 - (ii) such licenses, franchises, permits and governmental authorizations will continue to be unimpaired and in full force and effect after the closing date.

10. Sunlite represents, warrants and agrees as follows :

- (a) Sunlite is a corporation duly organized, validly existing and in good standing under the laws of the Province of Alberta and is duly qualified and in good standing as a foreign corporation in each jurisdiction where, to the knowledge of the officers of Sunlite the nature of the property owned or the business transacted by it makes such qualification necessary.
- (b) As of the date hereof, the authorized capital stock of Sunlite consists of 3,000,000 shares of common stock, without par value, of which 2,119,600 shares are outstanding. Such outstanding shares have been validly issued and are fully paid and non-assessable.
- (c) The unaudited consolidated financial statements of Sunlite as of March 31, 1969 which shall be furnished by Sunlite to Del Norte and the Shareholders, will be true and correct and fairly present the financial position of Sunlite and its subsidiaries as of such date and the results of the operations of Sunlite and its subsidiaries for the six month period then ended.
- (d) In the negotiations leading up to the transaction contemplated by this Agreement, Sunlite has not retained or otherwise utilized the services of any broker or finder.
- (e) The execution and performance of this Agreement by Sunlite has been duly authorized by its Board of Directors and such execution and performance are within its corporate powers.

11. In reliance upon the representations and warranties and subject to the terms and conditions herein stated at the Closing Date (as set forth in Clause 18 hereof) the shares of Sunlite and Del Norte which are issued and outstanding immediately prior to the granting of the Certificate of the Registrar of Companies confirming this Agreement shall on and from such date be converted into issued shares of the Amalgamated Company as follows:

- (a) Each shareholder of Sunlite will be deemed to have received One (1) share in the Amalgamated Company in the place of each share in Sunlite represented by such shareholder's existing certificate or certificates;
- (b) Each shareholder of Del Norte will receive One Thousand and Forty (1,040) shares of the Amalgamated Company in place of each of his shares in Del Norte.

12. THE BOARD OF DIRECTORS of the Amalgamated Company unless and until otherwise determined by special resolution of the shareholders shall consist of five (5) members and the first Directors of the Amalgamated Company with their names, callings and places of residence shall be the following:

<u>Directors</u>	<u>Occupation</u>
Donald K. Russell, 25 Fox Meadow Road, Scarsdale, New York, U.S.A.	Executive
Edwin L. Kennedy, Glen Alpine Road, New Vernon, New Jersey, U.S.A.	Investment Banker
William Walter Siebens, 102 Roxborough Road, Calgary, Alberta.	Executive
Francis L. Croteau, 4861 Marguerite Street, Vancouver, British Columbia.	Consulting Engineer
John H. Van de Venter, 1224 Belavista Crescent, Calgary 9, Alberta.	Executive

The said first Directors shall hold office until the first annual meeting of the Amalgamated Company or until their successors are elected or appointed. The subsequent Directors shall be elected according to the provisions of the Amalgamated Company's Articles of Association. The management of the Amalgamated Company shall be under the control of the Board of Directors from time to time subject to the provisions of the Alberta Companies Act.

13. Each of the parties shall contribute to the Amalgamated Company all its assets, subject to its liabilities as such exist immediately before the amalgamation.

14. The Amalgamated Company shall possess all the property, rights, privileges and franchises and shall be subject to all the liabilities, contracts and debts of each of Sunlite and Del Norte as such exist immediately before the amalgamation of Sunlite and Del Norte.

15. Certain shareholders of Del Norte, namely Messrs. Van de Venter, Kassube and Gray, agree to enter into employment agreements with the Amalgamated Company relating to their employment by the Amalgamated Company and the granting of options to purchase additional shares of the Amalgamated Company, the form of the agreement to be as attached hereto and marked Exhibit "B" to this Agreement.

16. The closing will take place at the offices of Sunlite, in the City of Calgary, in the Province of Alberta, at 10:00 a.m. on September 15th, 1969 or, in the event that all steps to effect the amalgamation have not been completed by that date, the closing will take place at a later date to be mutually agreed upon by the parties hereto, but in no case later than December 31st, 1969.

17. At the closing, share certificates for shares of Sunlite will be issued to the shareholders of Del Norte in the amounts hereinbefore specified. Unless required by governmental agency or a stock exchange the outstanding share certificates of Sunlite in the hands of its shareholders shall continue to represent shares in the Amalgamated Company.

18. *(a) Conditions Precedent to Sunlite's Obligations*

All obligations of Sunlite under this Agreement are subject to fulfillment prior to or at the Closing Date of each of the following conditions, except any of them which may be waived by Sunlite in writing at or prior to closing, namely:

- (i) The representations and warranties of the Shareholders and Del Norte set forth in this Agreement shall be true and accurate in all material respects as of the date when made and shall be deemed to have been made again and as at the time of closing, and except to the extent necessary to reflect the consummation of any transaction provided for therein or consented to or approved in writing by Sunlite, shall then be true in all material respects.
- (ii) Del Norte shall have duly performed and complied with in all material respects, all things required by this Agreement to be performed or complied with by it at or prior to closing.
- (iii) Del Norte shall have delivered to Sunlite a written opinion of Messrs. Saucier, Jones & Co., Barristers and Solicitors, Calgary, Alberta, dated the date of the closing to the effect that:—
 - (a) Del Norte is a corporation duly authorized, validly existing and in good standing under the laws of the Province of Alberta, with full corporate power and authority for the ownership

and operating of its properties and rights and the conduct of its business as it is now conducted, and is duly qualified to do business as a foreign corporation in all jurisdictions which, to the best of the knowledge of the President of Del Norte, the character and location of its properties and rights or the nature of the business transacted by it, makes such qualification necessary.

- (b) Del Norte has the legal power and right to enter into and perform this Agreement and on the closing the consummation of the transactions contemplated by this Agreement will not, to the knowledge of such solicitors, result in the breach or termination of any provision of or constitute a default under any contract, agreement, indenture, mortgage, or other instrument or agreement to which Del Norte is a party or to which its property may be bound. Such solicitors may rely upon a certificate of the President and Secretary of Del Norte in giving their opinion relating to matters included in this subclause (b).
- (c) All necessary corporate proceeding by Del Norte, including appropriate approval by shareholders, have been taken to authorize this Agreement and the amalgamation contemplated hereby, the performance by Del Norte of its obligations hereunder and the execution and delivery by Del Norte of all instruments contemplated hereby and this Agreement is a valid and binding Agreement of Del Norte in accordance with its terms.
- (d) Counsel knows of no impediment, legal or corporate, to Del Norte's concluding the amalgamation contemplated by this Agreement and covering such other matters incident to the transaction contemplated hereby as Sunlite may reasonably request.
- (iv) All legal matters in connection with this Agreement and the consummation of the amalgamation contemplated hereby and all legal opinions required by this Agreement to be submitted to Sunlite shall have been approved by and acceptable by counsel for Sunlite and there shall have been furnished to such counsel by Del Norte certified copies of such corporate or other records and such information as they may reasonably request for such purposes.
- (v) At the closing Del Norte shall have title satisfactory to Sunlite's counsel to enable it to furnish an opinion herein provided for in paragraph (vi) of this Clause 18 (a) to all of the properties of Del Norte free of all liens, charges and in accordance with their representations set out herein, excepting only:—
 - (a) real and personal property taxes constituting a lien not yet payable;
 - (b) defects or irregularities of title or encumbrances which in the opinion of Sunlite's counsel are not such in the aggregate as to interfere materially with the economic operation, value or use of any such asset or materially to affect title thereto;
 - (c) liens, charges or encumbrances which are solely incident to operating agreements, unit agreements and unit operating agreements, drilling contracts, pooling declarations and pooling agreements.
- (vi) Sunlite shall have been furnished with an opinion of its counsel, Messrs. MacKimmie, Matthews, Wood, Phillips & Smith, satisfactory to Sunlite verifying Del Norte's title to its properties.
- (vii) There shall have been no material loss, damage or destruction of or to Del Norte's properties, not adequately covered by insurance.
- (viii) Sunlite shall have received the consent of any governmental agency, securities commission or stock exchange as required, in order to fully effect the amalgamation and maintain the listing of

the shares of the amalgamated company on the stock exchange where the shares of Sunlite are presently listed.

(b) Conditions Precedent to Del Norte's Obligations

All obligations of Del Norte under this Agreement are subject to fulfilment prior to or at the closing of each of the following conditions, except any of them which may be waived by Del Norte in writing at or prior to closing, namely :

- (i) Representations and warranties of Sunlite set forth in this Agreement shall be true and accurate in all material respects as at the date and when made, shall be deemed to have been made again and at the time of closing, except to the extent necessary to reflect the consummation of any transaction provided for herein or consented to or approved in writing by Del Norte, shall then be true in all material respects.
- (ii) Sunlite shall duly perform and comply with in all material respects all things required by this Agreement to be performed or complied with by it at or prior to closing.
- (iii) Sunlite shall have delivered to Del Norte the written opinion of Messrs. MacKimmie, Matthews, Wood, Phillips & Smith, Barristers and Solicitors, of Calgary, Alberta, at date of closing to the effect that :—
 - (a) Sunlite is a corporation duly authorized, validly existing and in good standing under the laws of the Province of Alberta, with full corporate power and authority for the ownership and operating of its properties and rights and the conduct of its business as it is now conducted, and is duly qualified to do business as a foreign corporation in all jurisdictions which to the best of the knowledge of the President of Sunlite, the character and location of its properties and rights or the nature of the business transacted by it, makes such qualification necessary.
 - (b) Sunlite has the legal power and right to enter into and perform this Agreement and on the closing the consummation of the transactions contemplated by this Agreement will not, to the knowledge of such solicitors result in the breach or termination of any provision of or constitute a default under any contract, agreement, indenture, mortgage, or other instrument or agreement to which Sunlite is a party or to which its property may be bound. Such solicitors may rely upon a certificate of the President and Secretary of Sunlite in giving their opinion relating to matters included in this subclause (b).
 - (c) All necessary corporate proceedings by Sunlite, including appropriate approval by shareholders, have been taken to authorize this Agreement and the amalgamation contemplated hereby, the performance by Sunlite of its obligations hereunder and the execution and delivery by Sunlite of all instruments contemplated hereby and this Agreement is a valid and binding Agreement of Sunlite in accordance with its terms.
 - (d) Counsel knows of no impediment, legal or corporate, to Sunlite's concluding the amalgamation contemplated by this Agreement.

and covering such other matters incident to the transaction contemplated hereby as Del Norte may reasonably request.

- (iv) All legal matters in connection with this Agreement and the consummation of the transaction contemplated hereby and all legal opinions required by this Agreement to be submitted to Del

Norte shall be approved by and acceptable to Messrs. Saucier, Jones & Co., counsel for Del Norte, and there shall have been furnished to such counsel by Sunlite certified copies of such corporate or other records as may be required herein and such other information and documents as may be reasonably requested by Del Norte's solicitors for such purpose.

19. (a) Each Shareholder represents and agrees that he has not directly or indirectly offered or disposed of or attempted to offer or dispose of any of the shares of Sunlite which he will receive pursuant to this Agreement, and that he is acquiring such shares of Sunlite pursuant to this Agreement (other than the shares being registered immediately pursuant to subparagraph 19 (b) hereof) solely for investment and not with a view to the sale, distribution or other disposition thereof. The Shareholders understand that Sunlite is relying upon the truth and accuracy of the foregoing representation for issuing the shares to such Shareholders without first registering such shares under the Securities Act of 1933. The Shareholders will and do hereby agree to indemnify and hold harmless Sunlite against all liabilities, costs and expenses, including reasonable attorneys' fees, incurred by Sunlite as a result of any sale or distribution by the Shareholders of such shares in violation of such Act. All certificates (other than certificates representing shares registered under the Securities Act of 1933 pursuant to subparagraph 19 (b) hereof) representing shares of Sunlite issued pursuant to this Agreement will contain a legend in the following form: "The transfer or pledge of the shares represented by this Certificate are subject to the provisions of a Memorandum of Agreement between the holder hereof and Sunlite Oil Company Limited dated as of May , 1969." The legend will be removed from Certificates representing shares of Sunlite

- (i) which in the opinion of counsel for Sunlite do not require registration under the Securities Act of 1933 prior to transfer or disposition thereof;
- (ii) for which the Shareholder has received a no-action letter from the Securities and Exchange Commission; or
- (iii) covered by an effective registration statement.

(b) As soon as practicable after the execution of this Memorandum of Agreement, Sunlite will file a registration statement or statements covering Forty Thousand (40,000) of the Sunlite shares to be issued to the Shareholders pursuant to this Memorandum of Agreement and a total of Twenty Thousand (20,000) shares to be issued upon the exercise of the stock options to be granted to Messrs. Van de Venter, Kassube and Gray in accordance with the terms of the Employment Agreements with them, the form of which is attached hereto as Exhibit "B", and will use its best efforts to make effective the registration, at or prior to the Closing Date. Sunlite will keep effective such registration statement and from time to time amend or supplement the same and the prospectus used in connection therewith for a period of twelve months after the effective date of the registration statement to the extent necessary in order to comply with the Securities Act of 1933, provided, however, that if the sale of the shares is completed within 40 days after the first date on which such shares were bona fide offered to the public, then Sunlite's obligation hereunder to keep such registration statement effective shall terminate at the end of such 40-day period. In addition, Sunlite will use its best efforts to qualify such shares for sale under the laws of such states as shall be reasonably designated by the Shareholders. Sunlite shall bear all expenses of such registration other than (i) the underwriters' discount and charges and expenses customarily borne by the underwriters, if any; (ii) expenses incident to "blue-skying"; and (iii) counsel fees and expenses of the Shareholders and the underwriters, if any.

(c) Each Shareholder agrees that, prior to any transfer or disposition of any shares of Sunlite, other than as registered pursuant to Paragraph 19 (b) hereof such Shareholder will give written notice

to Sunlite expressing his intention to effect such transfer or disposition and describing briefly the manner of the proposed transfer or disposition of such shares of Sunlite. Promptly upon receiving such notice, Sunlite shall present copies thereof to its counsel and the provisions of the following subdivision shall apply:

- (i) If in the opinion of such counsel the proposed transfer or disposition does not require registration of such shares of Sunlite under the Securities Act of 1933, as then in force or any similar Federal statute then in force (of which opinion Sunlite will notify such Shareholder as promptly as practical) or, if such Shareholder shall have received a no-action letter from the Securities and Exchange Commission (a copy of which he shall have furnished to Sunlite) such Shareholder shall, upon receipt of such opinion from Sunlite or upon the furnishing of such copy to Sunlite, as the case may be, be entitled to transfer or dispose of such shares in accordance with the terms of the notice delivered by him to Sunlite.
- (ii) If in the opinion of such counsel the proposed transfer or disposition requires such registration of such shares of Sunlite, such Shareholder shall not proceed with such transfer or disposition unless and until Sunlite shall have registered the same; provided, however, that Sunlite shall be under no obligation to register any such shares except as hereinafter provided.

(d) Sunlite agrees that, in the event that the Shareholders have not been afforded the opportunity prior to May 1, 1973 of disposing, at market value, all of the shares of Sunlite received by them at the Closing, Shareholders holding 50,000 shares of Sunlite received by them at the Closing who wish to transfer or dispose of such shares or a part thereof (in no event less than 40,000 unless such proposed disposition covers all of their remaining shares), may request in writing the registration of such shares of Sunlite. Upon receipt of any such request for registration, Sunlite will, within the next succeeding 12 months, file one registration statement and will use its best efforts to cause such registration statement to become effective as soon as practicable thereafter, will keep such registration statement effective (except as hereinafter provided) during the period of distribution of such shares by the Shareholders, will take such action as may be required to permit sales of such shares under the securities or "Blue Sky" laws of such states or jurisdictions as the Shareholders may reasonably request, and will furnish to the Shareholders such copies as the Shareholders may reasonably request of each prospectus and each amendment or supplement thereto included in such registration statement.

(e) In addition to the foregoing, in the case of any proposed registration of common stock or convertible Debentures of Sunlite on Form S-1 under the Securities Act of 1933 as then in effect or any similar Federal statute then in effect, at least 25 days prior to filing a registration statement for such stock or securities Sunlite shall send a written notice of such intended registration to each of the Shareholders by first class mail, postage prepaid, at their respective addresses appearing on the stock records of Sunlite. If within 20 days after the mailing of such notice any Shareholder shall request in writing the registration of shares of Sunlite issued pursuant to this Agreement and held by him, Sunlite shall use its best efforts to include such shares as he shall specify in such registration. It is understood and agreed that, in the event of any registration of shares of Sunlite pursuant to this Paragraph 19 (e), Sunlite may delay the delivery of prospectuses to the Shareholders for a period not in excess of 40 days from the effective date of such registration statement.

(f) In the event of any registration pursuant to this Paragraph 19, Sunlite shall indemnify such Shareholders against all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in the registration statement or prospectus (and as amended or supplemented if Sunlite

shall have furnished any amendments or supplements thereto), or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except in so far as such losses, claims, damages or liabilities are caused by any untrue statement of a material fact contained in, or any material fact omitted from, information furnished in writing to Sunlite by any Shareholder expressly for use therein. It shall be a condition precedent to any right of registration under this Paragraph 19 that each Shareholder requesting registration shall furnish to Sunlite in writing such information as shall be reasonably requested by Sunlite for use in any such registration statement or prospectus and shall agree in writing to indemnify Sunlite, its directors and officers, and each person, if any, who controls Sunlite within the meaning of Section 15 of the Securities Act of 1933, as amended, and any underwriter for Sunlite against all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in, or any material fact omitted from, information so furnished in writing by such Shareholder. The expenses in connection with any registration under this Paragraph 19, excepting only a registration under subclause 19 (b) hereof, including, without limitation, registration fee, printing costs and fees and disbursements of counsel and independent accountants, engineers or geologists, shall be borne by the persons or entities registering stock or debentures thereunder in the same proportion as the offering price of shares or debentures being registered by each bears to the total offering price of such shares and/or debentures being registered. Sunlite shall not be required to maintain a current prospectus more than nine months (or such longer period as may be mutually agreed upon) after the date of filing any registration statement pursuant to this Paragraph 19.

20. The representations, warranties and agreements of the parties made herein shall survive the consummation of the transactions contemplated by this Agreement and shall remain in full force and effect thereafter for a period of three (3) years, following Closing Date. It is understood and agreed that the liability of the Shareholders as among themselves with respect to representations, warranties and agreements contained in this Agreement shall be joint and several.

21. The addresses of the parties hereto for notices and communications shall be:

Del Norte:

Del Norte Oil Ltd.,
020 North Canadian Oil Building,
640—7th Avenue S.W.,
Calgary 2, Alberta.

Sunlite:

c/o MacKimmie, Matthews, Wood,
Phillips & Smith,
505—2nd Street S.W.,
Calgary 1, Alberta.

with a copy to:

Mr. Donald K. Russell,
Lehman Brothers,
1 William Street,
New York, N. Y. 10004,
U. S. A.

22. Upon the shareholders of Sunlite and Del Norte respectively adopting this Agreement and upon all conditions to the amalgamation as herein set out being complied with, such facts shall be certified on this Agreement by the Secretary of each of the parties under their respective corporate seals and the parties hereto shall forthwith apply to the Court for an Order confirming the amalgamation.

23. Sunlite and Del Norte may by resolution of their respective Directors consent to any alteration or modification of this Agreement which the shareholders of the respective companies at meetings called to consider the same or the Court or the Registrar of Companies may request or approve.

IN WITNESS WHEREOF the parties of the first and second parts hereto have hereunto affixed their corporate seals attested by their officers duly authorized in that behalf and the parties of the third part have hereunto subscribed their respective names and affixed their respective seals, as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of :

SUNLITE OIL COMPANY LIMITED

Per:
President

.....
Secretary-Treasurer

DEL NORTE OIL LTD.

Per:
President

.....
Secretary-Treasurer

.....
Witness

.....
J. H. Van de Venter

.....
Witness

.....
F. F. Gray

.....
Witness

.....
J. R. Kassube

.....
Witness

.....
S. P. Shouldice

.....
Witness

.....
W. K. Davis

THIS IS EXHIBIT "A" attached to and forming part of Memorandum of Agreement made as of the 16th day of May A.D. 1969 between SUNLITE OIL COMPANY LIMITED and DEL NORTE OIL LTD. and J. H. VAN DE VENTER, F. F. GRAY, J. R. KASSUBE, S. P. SHOULDICE, and W. K. DAVIS.

L.L. & G. Policy 5 34 11 83

This policy provides Comprehensive General Liability protection in limits of \$500,000.00 Bodily Injury and Property Damage—inclusive limits; and Employer's Liability \$100,000.00 per accident, \$100,000.00 per person and runs for a further one year from April 1st, 1969.

L.L. & G. Policy 8 47 60 64

This policy provides Non Owned Auto Liability insurance in limits of \$500,000.00 Public Liability and Property Damage—inclusive limits for a further term of one year from April 1st, 1969.

Control of Well Insurance, Underwriters at Lloyd's Policy No. D 1379

Covers control of well expense—November 15, 1968 to November 15, 1971. The limit of liability is \$250,000 any one loss with a \$10,000 deductible any claim applying. Coverage restricted to drilling operations only.

MEMORANDUM OF AGREEMENT made this 16th day of May A.D. 1969,

B E T W E E N :

SUNLITE OIL COMPANY LIMITED, a body corporate, with head office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "the Company")

OF THE FIRST PART

—and—

J. H. VAN DE VENTER, of the City of Calgary, in the Province of Alberta (hereinafter referred to as "the Executive")

OF THE SECOND PART

WHEREAS by a Memorandum of Agreement dated the 16th day of May, A.D. 1969, between the Company, Del Norte Oil Ltd., J. H. Van de Venter, F. F. Gray, J. R. Kassube, S. T. Shouldice and W. K. Davis (hereinafter called the "Amalgamation Agreement"), the Company and Del Norte Oil Ltd. have set forth the terms, provisions and conditions upon which they are prepared to amalgamate, pursuant to Section 140a of The Companies Act (Alberta); and

WHEREAS it is considered desirable by the Company that a contract of employment containing a stock option should be entered into with the Executive for his employment with the Company commencing with the effective date of the amalgamation pursuant to the Amalgamation Agreement (such date being hereinafter referred to as the "commencement date");

NOW THEREFORE THIS AGREEMENT WITNESSETH:

1. The Company agrees to employ the Executive as Executive Vice-President for the period of two (2) years starting on the commencement date, and the Executive agrees so long as his health permits to perform the services of Executive Vice-President of the Company during such two (2) year period.

2. The Executive agrees to devote all of his business time to the faithful discharge of his duties as Executive Vice-President of the Company, it being understood, however, that the Executive shall be entitled to an annual vacation of four (4) weeks' duration in each year of his period of employment, such vacation to be taken at such time or times as the Company and the Executive may mutually agree upon.

3. During the said two (2) year term hereof, the Company agrees to pay to the Executive a salary to be computed at the annual rate of Twenty-Two Thousand Five Hundred (\$22,500.00) Dollars payable in equal monthly installments on the first day of each and every month commencing on the first day of the month following the commencement date.

4. (a) In the event the Executive shall become permanently disabled during the first year of the term hereof, the payments provided for in paragraph 3 above, commencing on the first day of the month following the month in which such disability shall occur shall be reduced to an amount equal to Seventy

(70%) per cent of such instalments and shall be paid to the Executive at the same times during the balance of the term hereof. If such disability shall occur during the second year of the term hereof the full amount of the instalments provided for in paragraph 3 above shall continue to be paid to the Executive during the balance of the term hereof.

(b) In the event the Executive shall die during the first year of the term hereof the payments provided for in paragraph 3 above, commencing on the first day of the month following the month in which such death shall occur, shall be reduced to an amount equal to Seventy (70%) per cent of such instalments and shall be paid as a death benefit to such person as the Executive may designate to receive such payments, or, in default of such designation, to the Executive's estate at the same times during the balance of the term hereof. If such death shall occur during the second year of the term hereof the full amount of the instalments provided for in paragraph 3 above shall be paid as a death benefit to such person as the Executive may designate to receive such payments, or, in default of such designation, to the Executive's estate at the same times during the balance of the term hereof.

5. Subject to the provisions hereinafter contained, the Company hereby gives and grants to the Executive an option irrevocable unless otherwise terminated under the provisions of this Agreement within the period of two (2) years from the commencement date to purchase Thirteen Thousand Three Hundred and Thirty-three (13,333) common shares of the capital stock of the Company as presently constituted at a price equal to Ninety (90%) per cent of the closing price on the Vancouver Stock Exchange on the day immediately preceding the commencement date as hereinbefore defined. In the event no shares of the Company are traded on the day immediately preceding the commencement date, either because the Vancouver Stock Exchange was closed or for any other reason, the option price shall be Ninety (90%) per cent of the price paid for shares of the Company in the last trade of shares of the Company on the Vancouver Stock Exchange immediately before the commencement date.

6. The said option may be exercised by the Executive at the times and with respect to the number of shares hereinafter provided for, namely:

- (a) the option to purchase not more than Six Thousand Six Hundred and Sixty-seven (6,667) of the option shares may be exercised on any day during the first twelve (12) months of the term hereof, and
- (b) the option to purchase Three Thousand Three Hundred and Thirty-three (3,333) additional option shares may be exercised on any day during the thirteenth (13th) to eighteenth (18th) month of the term hereof, and
- (c) the option to purchase the remaining Three Thousand Three Hundred and Thirty-three (3,333) option shares may be exercised on any day during the nineteenth (19th) to twenty-fourth (24th) month of the term hereof,

PROVIDED HOWEVER that the said option shall not be cumulative, that is to say, that it may not be exercised on subsequent dates as to any or all of the shares in respect of which it might have been exercised on previous dates but in respect of which it was not so exercised, and shall wholly terminate as at five (5) o'clock in the afternoon (Mountain Standard Time) on the first day of the month following the second anniversary of the commencement date as hereinbefore defined, with respect to any shares which are not purchased by the term hereof by that time on that date.

7. If and when the option is exercised, it shall be so exercised by notice in writing given by the Executive to the Company at its registered office in the City of Calgary, in the Province of Alberta, specifying the number of shares in respect to which it is exercised and accompanied by payment in cash or by certified cheque in the total amount calculated by multiplying the number of shares specified in such notice times the option price per share.

8. In the event that the Executive shall resign or retire from the Company's services, the option hereby granted shall terminate and become null and void in respect of any shares not purchased by the Executive on the expiration of sixty (60) days from the date of such resignation or retirement.

9. In the event of the death of the Executive occurring within the currency of the option period hereby granted while he is still in the service of the Company or within sixty (60) days from the date of termination of his service, his legal personal representative shall have the right to exercise the option to purchase any shares which the Executive would have been entitled to purchase under the terms of this option at the time of his death exercisable at any time within six (6) months following the date of his death. The said option shall terminate and become null and void at the expiration of six (6) months from the date of the death of the Executive.

10. If during the currency of the option herein granted, the Executive shall be dismissed from the employment of the Company for dishonesty or infidelity in respect of the business of the Company, or for wilfully neglecting to attend to the business of the Company, the option to purchase shares of the Company herein granted to him under the provisions of this Agreement shall terminate at the date of his dismissal.

11. In the event that the share capital of the Company as presently constituted shall be consolidated or subdivided prior to the exercise by the Executive in full of this option in respect of all of the shares granted herein, this option with respect to any shares which have not been purchased hereunder at the time of such consolidation or subdivision shall be proportionately adjusted so that the Executive shall from time to time, upon the exercise of the said option, be entitled to receive for each dollar paid by him the number of common shares of the capital stock of the Company he would have held following such consolidation or subdivision if he had purchased the common shares of the Company as at the date hereof for the same consideration as paid by him for the exercise of his option and had held such shares immediately prior to such consolidation or subdivision.

12. If during the currency of the option hereby granted the Company shall become merged or amalgamated in or with any other corporation (including the contemplated amalgamation with Del Norte Oil Ltd.) or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation, the Company will make provision that upon the exercise of the option hereby granted during its unexpired period after the effective date of such merger, amalgamation or sale, the Executive shall receive such number of shares of the continuing or successor corporation in such merger or amalgamation or the securities or shares of the purchasing corporation as he would have received as a result of such merger, amalgamation or sale if he had purchased common shares of the Company immediately prior thereto for the same consideration as paid by him on the exercise of this option and had held such shares on the effective date of such merger, amalgamation or sale and upon

such provision being made the obligation of the Company to the Executive in respect of its shares then remaining subject to such option shall terminate and be at an end.

13. The option hereby granted shall not become effective and no shares may be purchased thereunder unless and until it shall have been submitted to and approved and accepted for filing by the Listing Committee or other competent officials of the Stock Exchange upon which the Company's shares are listed for trading. The Company covenants and agrees to submit this Agreement to such Listing Committee for approval promptly following the execution hereof by the parties hereto.

14. It is further agreed that the option granted to the Executive under the terms of this Agreement shall not be assignable, either in whole or in part, and upon any purported assignment being made in contravention of the terms hereof, said option shall become null and void and of no further force and effect.

15. This Agreement shall be of no force or effect if the amalgamation between the Company and Del Norte Oil Ltd. does not occur substantially in accordance with the terms of the Amalgamation Agreement.

16. Except as otherwise set forth herein this Agreement shall be binding upon and enure to the benefit of the Company and the heirs, executors, administrators, and successors of the Executive.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and seal and SUNLITE OIL COMPANY LIMITED has caused its corporate seal to be hereunto affixed, attested by the signatures of its proper officers duly authorized in that behalf, all as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of:

SUNLITE OIL COMPANY LIMITED

DONALD K. RUSSELL

.....
Donald K. Russell

J. STEWART FISHER

.....
Secretary-Treasurer

FRANK F. GRAY

..... J. H. VAN DE VENTER
(Witness as to the signature of
J. H. Van de Venter) J. H. Van de Venter

SEAL

MEMORANDUM OF AGREEMENT made this 16th day of May A.D. 1969.

BETWEEN :

SUNLITE OIL COMPANY LIMITED, a body corporate, with head office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "the Company")

OF THE FIRST PART

and

F. F. GRAY, of the City of Calgary, in the Province of Alberta (hereinafter referred to as "the Executive")

OF THE SECOND PART

WHEREAS by a Memorandum of Agreement dated the 16th day of May, A.D. 1969, between the Company, Del Norte Oil Ltd., J. H. Van de Venter, F. F. Gray, J. R. Kassube, S. T. Shouldice and W. K. Davis (hereinafter called the "Amalgamation Agreement"), the Company and Del Norte Oil Ltd. have set forth the terms, provisions and conditions upon which they are prepared to amalgamate, pursuant to Section 140a of The Companies Act (Alberta); and

WHEREAS it is considered desirable by the Company that a contract of employment containing a stock option should be entered into with the Executive for his employment with the Company commencing with the effective date of the amalgamation pursuant to the Amalgamation Agreement (such date being hereinafter referred to as the "commencement date");

NOW THEREFORE THIS AGREEMENT WITNESSETH:

1. The Company agrees to employ the Executive as Geologist for the period of two (2) years starting on the commencement date, and the Executive agrees so long as his health permits to perform the services of Geologist of the Company during such two (2) year period.
2. The Executive agrees to devote all of his business time to the faithful discharge of his duties as Geologist of the Company, it being understood, however, that the Executive shall be entitled to an annual vacation of four (4) weeks' duration in each year of his period of employment, such vacation to be taken at such time or times as the Company and the Executive may mutually agree upon.
3. During the said two (2) year term hereof, the Company agrees to pay to the Executive a salary to be computed at the annual rate of Twenty-Two Thousand Five Hundred (\$22,500.00) Dollars payable in equal monthly instalments on the first day of each and every month commencing on the first day of the month following the commencement date.
4. (a) In the event the Executive shall become permanently disabled during the first year of the term hereof, the payments provided for in paragraph 3 above, commencing on the first day of the month following the month in which such disability shall occur shall be reduced to an amount equal to Seventy (70%) per cent of such instalments and shall be paid to the Executive at the same times during the

balance of the term hereof. If such disability shall occur during the second year of the term hereof the full amount of the instalments provided for in paragraph 3 above shall continue to be paid to the Executive during the balance of the term hereof.

(b) In the event the Executive shall die during the first year of the term hereof the payments provided for in paragraph 3 above, commencing on the first day of the month following the month in which such death shall occur, shall be reduced to an amount equal to Seventy (70%) per cent of such instalments and shall be paid as a death benefit to such person as the Executive may designate to receive such payments, or, in default of such designation, to the Executive's estate at the same times during the balance of the term hereof. If such death shall occur during the second year of the term hereof the full amount of the instalments provided for in paragraph 3 above shall be paid as a death benefit to such person as the Executive may designate to receive such payments, or, in default of such designation, to the Executive's estate at the same times during the balance of the term hereof.

5. Subject to the provisions hereinafter contained, the Company hereby gives and grants to the Executive an option irrevocable unless otherwise terminated under the provisions of this Agreement within the period of two (2) years from the commencement date to purchase Thirteen Thousand Three Hundred and Thirty-three (13,333) common shares of the capital stock of the Company as presently constituted at a price equal to Ninety (90%) per cent of the closing price on the Vancouver Stock Exchange on the day immediately preceding the commencement date as hereinbefore defined. In the event no shares of the Company are traded on the day immediately preceding the commencement date, either because the Vancouver Stock Exchange was closed or for any other reason, the option price shall be Ninety (90%) per cent of the price paid for shares of the Company in the last trade of shares of the Company on the Vancouver Stock Exchange immediately before the commencement date.

6. The said option may be exercised by the Executive at the times and with respect to the number of shares hereinafter provided for, namely:

- (a) the option to purchase not more than Six Thousand Six Hundred and Sixty-seven (6,667) of the option shares may be exercised on any day during the first twelve (12) months of the term hereof, and
- (b) the option to purchase Three Thousand Three Hundred and Thirty-three (3,333) additional option shares may be exercised on any day during the thirteenth (13th) to eighteenth (18th) month of the term hereof, and
- (c) the option to purchase the remaining Three Thousand Three Hundred and Thirty-three (3,333) option shares may be exercised on any day during the nineteenth (19th) to twenty-fourth (24th) month of the term hereof,

PROVIDED HOWEVER that the said option shall not be cumulative, that is to say, that it may not be exercised on subsequent dates as to any or all of the shares in respect of which it might have been exercised on previous dates but in respect of which it was not so exercised, and shall wholly terminate as at five (5) o'clock in the afternoon (Mountain Standard Time) on the first day of the month following the second anniversary of the commencement date as hereinbefore defined, with respect to any shares which are not purchased by the term hereof by that time on that date.

7. If and when the option is exercised, it shall be so exercised by notice in writing given by the Executive to the Company at its registered office in the City of Calgary, in the Province of Alberta, specifying the number of shares in respect to which it is exercised and accompanied by payment in cash or by certified cheque in the total amount calculated by multiplying the number of shares specified in such notice times the option price per share.

8. In the event that the Executive shall resign or retire from the Company's services, the option hereby granted shall terminate and become null and void in respect of any shares not purchased by the Executive on the expiration of sixty (60) days from the date of such resignation or retirement.

9. In the event of the death of the Executive occurring within the currency of the option period hereby granted while he is still in the service of the Company or within sixty (60) days from the date of termination of his service, his legal personal representative shall have the right to exercise the option to purchase any shares which the Executive would have been entitled to purchase under the terms of this option at the time of his death exercisable at any time within six (6) months following the date of his death. The said option shall terminate and become null and void at the expiration of six (6) months from the date of the death of the Executive.

10. If during the currency of the option herein granted, the Executive shall be dismissed from the employment of the Company for dishonesty or infidelity in respect of the business of the Company, or for wilfully neglecting to attend to the business of the Company, the option to purchase shares of the Company herein granted to him under the provisions of this Agreement shall terminate at the date of his dismissal.

11. In the event that the share capital of the Company as presently constituted shall be consolidated or subdivided prior to the exercise by the Executive in full of this option in respect of all of the shares granted herein, this option with respect to any shares which have not been purchased hereunder at the time of such consolidation or subdivision shall be proportionately adjusted so that the Executive shall from time to time, upon the exercise of the said option, be entitled to receive for each dollar paid by him the number of common shares of the capital stock of the Company he would have held following such consolidation or subdivision if he had purchased the common shares of the Company as at the date hereof for the same consideration as paid by him for the exercise of his option and had held such shares immediately prior to such consolidation or subdivision.

12. If during the currency of the option hereby granted the Company shall become merged or amalgamated in or with any other corporation (including the contemplated amalgamation with Del Norte Oil Ltd.) or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation, the Company will make provision that upon the exercise of the option hereby granted during its unexpired period after the effective date of such merger, amalgamation or sale, the Executive shall receive such number of shares of the continuing or successor corporation in such merger or amalgamation or the securities or shares of the purchasing corporation as he would have received as a result of such merger, amalgamation or sale if he had purchased common shares of the Company immediately prior thereto for the same consideration as paid by him on the exercise of this option and had held such shares on the effective date of such merger, amalgamation or sale and upon such provision being made the obligation of the Company to the Executive in respect of its shares then remaining subject to such option shall terminate and be at an end.

13. The option hereby granted shall not become effective and no shares may be purchased thereunder unless and until it shall have been submitted to and approved and accepted for filing by the Listing Committee or other competent officials of the Stock Exchange upon which the Company's shares are listed for trading. The Company covenants and agrees to submit this Agreement to such Listing Committee for approval promptly following the execution hereof by the parties hereto.

14. It is further agreed that the option granted to the Executive under the terms of this Agreement shall not be assignable, either in whole or in part, and upon any purported assignment being made in contravention of the terms hereof, said option shall become null and void and of no further force and effect.

15. This Agreement shall be of no force or effect if the amalgamation between the Company and Del Norte Oil Ltd. does not occur substantially in accordance with the terms of the Amalgamation Agreement.

16. Except as otherwise set forth herein this Agreement shall be binding upon and enure to the benefit of the Company and the heirs, executors, administrators, and successors of the Executive.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and seal and SUNLITE OIL COMPANY LIMITED has caused its corporate seal to be hereunto affixed, attested by the signatures of its proper officers duly authorized in that behalf, all as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of:

SUNLITE OIL COMPANY LIMITED

DONALD K. RUSSELL

.....
Donald K. Russell

J. STEWART FISHER

.....
Secretary-Treasurer

JOHN H. VAN DE VENTER

F. F. GRAY

.....
(Witness as to the signature of F. F. Gray)

.....
F. F. Gray

MEMORANDUM OF AGREEMENT made this 16th day of May A.D. 1969.

BETWEEN :

SUNLITE OIL COMPANY LIMITED, a body corporate, with head office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "the Company")

OF THE FIRST PART

— and —

J. R. KASSUBE, of the City of Calgary, in the Province of Alberta (hereinafter referred to as "the Executive")

OF THE SECOND PART

WHEREAS by a Memorandum of Agreement dated the 16th day of May, A.D. 1969, between the Company, Del Norte Oil Ltd., J. H. Van de Venter, F. F. Gray, J. R. Kassube, S. T. Shouldice and W. K. Davis (hereinafter called the "Amalgamation Agreement"), the Company and Del Norte Oil Ltd. have set forth the terms, provisions and conditions upon which they are prepared to amalgamate, pursuant to Section 140a of The Companies Act (Alberta); and

WHEREAS it is considered desirable by the Company that a contract of employment containing a stock option should be entered into with the Executive for his employment with the Company commencing with the effective date of the amalgamation pursuant to the Amalgamation Agreement (such date being hereinafter referred to as the "commencement date");

NOW THEREFORE THIS AGREEMENT WITNESSETH :

1. The Company agrees to employ the Executive as Geologist for the period of two (2) years starting on the commencement date, and the Executive agrees so long as his health permits to perform the services of Geologist of the Company during such two (2) year period.
2. The Executive agrees to devote all of his business time to the faithful discharge of his duties as Geologist of the Company, it being understood, however, that the Executive shall be entitled to an annual vacation of four (4) weeks' duration in each year of his period of employment, such vacation to be taken at such time or times as the Company and the Executive may mutually agree upon.
3. During the said two (2) year term hereof, the Company agrees to pay to the Executive a salary to be computed at the annual rate of Twenty-Two Thousand Five Hundred (\$22,500.00) Dollars payable in equal monthly instalments on the first day of each and every month commencing on the first day of the month following the commencement date.
4. (a) In the event the Executive shall become permanently disabled during the first year of the term hereof, the payments provided for in paragraph 3 above, commencing on the first day of the month following the month in which such disability shall occur shall be reduced to an amount equal to Seventy (70%) per cent of such instalments and shall be paid to the Executive at the same times during the

balance of the term hereof. If such disability shall occur during the second year of the term hereof the full amount of the instalments provided for in paragraph 3 above shall continue to be paid to the Executive during the balance of the term hereof.

(b) In the event the Executive shall die during the first year of the term hereof the payments provided for in paragraph 3 above, commencing on the first day of the month following the month in which such death shall occur, shall be reduced to an amount equal to Seventy (70%) per cent of such instalments and shall be paid as a death benefit to such person as the Executive may designate to receive such payments, or, in default of such designation, to the Executive's estate at the same times during the balance of the term hereof. If such death shall occur during the second year of the term hereof the full amount of the instalments provided for in paragraph 3 above shall be paid as a death benefit to such person as the Executive may designate to receive such payments, or, in default of such designation, to the Executive's estate at the same times during the balance of the term hereof.

5. Subject to the provisions hereinafter contained, the Company hereby gives and grants to the Executive an option irrevocable unless otherwise terminated under the provisions of this Agreement within the period of two (2) years from the commencement date to purchase Thirteen Thousand Three Hundred and Thirty-three (13,333) common shares of the capital stock of the Company as presently constituted at a price equal to Ninety (90%) per cent of the closing price on the Vancouver Stock Exchange on the day immediately preceding the commencement date as hereinbefore defined. In the event no shares of the Company are traded on the day immediately preceding the commencement date, either because the Vancouver Stock Exchange was closed or for any other reason, the option price shall be Ninety (90%) per cent of the price paid for shares of the Company in the last trade of shares of the Company on the Vancouver Stock Exchange immediately before the commencement date.

6. The said option may be exercised by the Executive at the times and with respect to the number of shares hereinafter provided for, namely:

- (a) the option to purchase not more than Six Thousand Six Hundred and Sixty-seven (6,667) of the option shares may be exercised on any day during the first twelve (12) months of the term hereof, and
- (b) the option to purchase Three Thousand Three Hundred and Thirty-three (3,333) additional option shares may be exercised on any day during the thirteenth (13th) to eighteenth (18th) month of the term hereof, and
- (c) the option to purchase the remaining Three Thousand Three Hundred and Thirty-three (3,333) option shares may be exercised on any day during the nineteenth (19th) to twenty-fourth (24th) month of the term hereof,

PROVIDED HOWEVER that the said option shall not be cumulative, that is to say, that it may not be exercised on subsequent dates as to any or all of the shares in respect of which it might have been exercised on previous dates but in respect of which it was not so exercised, and shall wholly terminate as at five (5) o'clock in the afternoon (Mountain Standard Time) on the first day of the month following the second anniversary of the commencement date as hereinbefore defined, with respect to any shares which are not purchased by the term hereof by that time on that date.

7. If and when the option is exercised, it shall be so exercised by notice in writing given by the Executive to the Company at its registered office in the City of Calgary, in the Province of Alberta, specifying the number of shares in respect to which it is exercised and accompanied by payment in cash or by certified cheque in the total amount calculated by multiplying the number of shares specified in such notice times the option price per share.

8. In the event that the Executive shall resign or retire from the Company's services, the option hereby granted shall terminate and become null and void in respect of any shares not purchased by the Executive on the expiration of sixty (60) days from the date of such resignation or retirement.

9. In the event of the death of the Executive occurring within the currency of the option period hereby granted while he is still in the service of the Company or within sixty (60) days from the date of termination of his service, his legal personal representative shall have the right to exercise the option to purchase any shares which the Executive would have been entitled to purchase under the terms of this option at the time of his death exercisable at any time within six (6) months following the date of his death. The said option shall terminate and become null and void at the expiration of six (6) months from the date of the death of the Executive.

10. If during the currency of the option herein granted, the Executive shall be dismissed from the employment of the Company for dishonesty or infidelity in respect of the business of the Company, or for wilfully neglecting to attend to the business of the Company, the option to purchase shares of the Company herein granted to him under the provisions of this Agreement shall terminate at the date of his dismissal.

11. In the event that the share capital of the Company as presently constituted shall be consolidated or subdivided prior to the exercise by the Executive in full of this option in respect of all of the shares granted herein, this option with respect to any shares which have not been purchased hereunder at the time of such consolidation or subdivision shall be proportionately adjusted so that the Executive shall from time to time, upon the exercise of the said option, be entitled to receive for each dollar paid by him the number of common shares of the capital stock of the Company he would have held following such consolidation or subdivision if he had purchased the common shares of the Company as at the date hereof for the same consideration as paid by him for the exercise of his option and had held such shares immediately prior to such consolidation or subdivision.

12. If during the currency of the option hereby granted the Company shall become merged or amalgamated in or with any other corporation (including the contemplated amalgamation with Del Norte Oil Ltd.) or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation, the Company will make provision that upon the exercise of the option hereby granted during its unexpired period after the effective date of such merger, amalgamation or sale, the Executive shall receive such number of shares of the continuing or successor corporation in such merger or amalgamation or the securities or shares of the purchasing corporation as he would have received as a result of such merger, amalgamation or sale if he had purchased common shares of the Company immediately prior thereto for the same consideration as paid by him on the exercise of this option and had held such shares on the effective date of such merger, amalgamation or sale and upon such provision being made the obligation of the Company to the Executive in respect of its shares then remaining subject to such option shall terminate and be at an end.

13. The option hereby granted shall not become effective and no shares may be purchased thereunder unless and until it shall have been submitted to and approved and accepted for filing by the Listing Committee or other competent officials of the Stock Exchange upon which the Company's shares are listed for trading. The Company covenants and agrees to submit this Agreement to such Listing Committee for approval promptly following the execution hereof by the parties hereto.

14. It is further agreed that the option granted to the Executive under the terms of this Agreement shall not be assignable, either in whole or in part, and upon any purported assignment being made in contravention of the terms hereof, said option shall become null and void and of no further force and effect.

15. This Agreement shall be of no force or effect if the amalgamation between the Company and Del Norte Oil Ltd. does not occur substantially in accordance with the terms of the Amalgamation Agreement.

16. Except as otherwise set forth herein this Agreement shall be binding upon and enure to the benefit of the Company and the heirs, executors, administrators, and successors of the Executive.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and seal and SUNLITE OIL COMPANY LIMITED has caused its corporate seal to be hereunto affixed, attested by the signatures of its proper officers duly authorized in that behalf, all as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of:

SUNLITE OIL COMPANY LIMITED

DONALD K. RUSSELL

.....

Donald K. Russell

J. STEWART FISHER

.....

Secretary-Treasurer

JOHN H. VAN DE VENTER

.....

(Witness as to the signature of
J. R. Kassube)

J. R. KASSUBE

.....

J. R. Kassube

SEAL

